

This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

+ *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.

+ *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.

+ *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.

+ *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at `http://books.google.com/`

Class HD2769
Book .S9A5
1911
Copy 2

2/10

No. 22

HEARINGS

HELD BEFORE THE

U.S. Congress. House.

SPECIAL COMMITTEE ON THE INVESTIGATION OF THE AMERICAN SUGAR REFINING CO. AND OTHERS

MONDAY, JULY 17, 1911

HOUSE OF REPRESENTATIVES

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

HD2769
.S9A5
1911
copy 2

SPECIAL COMMITTEE ON THE INVESTIGATION OF THE AMERICAN SUGAR REFINING CO.

HOUSE OF REPRESENTATIVES.

THOMAS W. HARDWICK, *Chairman.*

FINIS J. GARRETT.	GEORGE R. MALBY.
WILLIAM SULZER.	J. W. FORDNEY.
JOHN E. RAKER.	E. H. MADISON.
H. M. JACOWAY, JR.	A. C. HINDS.

AMERICAN SUGAR REFINING CO.

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE AMERICAN SUGAR REFINING CO. AND OTHERS,
HOUSE OF REPRESENTATIVES,
Monday, July 17, 1911.

The committee met at 10 o'clock a. m., Hon. Thomas W. Hardwick (chairman) presiding.

Mr. RAKER. Here is a statement that we requested of Mr. Neall in regard to the change of freight rates that he testified to, a full statement in regard to the differentials on the freight rates.

The CHAIRMAN. This is a supplemental statement from Mr. Frank L. Neall, who appeared before the committee last week.

(The statement referred to by the chairman follows:)

Explanation of statement concerning methods and basis of computing freight rates upon refined granulated sugar, shipped by the American Sugar Refining Co., say from New York to Chicago by all-rail routes.

	Cents.
Rate on granulated refined sugar, New York to Chicago (912 miles), per 100 pounds	26
Rate on granulated refined sugar, Philadelphia to Chicago (822 miles) per 100 pounds	24

The minimum weight in a carload of sugar is fixed by railroads as 33,000 pounds.

A barrel of refined sugar contains about 360 pounds of sugar.

An ordinary carload of sugar comprises about 100 barrels.

The actual weight of an empty sugar barrel (that is the tare of the barrel) is, say, 25 pounds.

The weight of a sugar barrel, as computed by the refineries for the payment of freight is 16 pounds per barrel.

The current price of granulated refined sugar in New York is, say, 5 cents per pound.

100 barrels of granulated sugar (360 pounds per barrel) equals 36,000 pounds, at 5 cents per pound	$1,800.00
The weight of the 100 barrels of sugar, plus the 100 barrels containing same, say 100 barrels at 16 pounds each, is assumed to be about 37,600 pounds.	
The freight charged to the buyer of the sugar in Chicago is 24 cents per 100 pounds (which is recognized to be not the New York-Chicago rate, but the Philadelphia-Chicago rate) on this gross weight, equals	90.24
By a complicated method, the New York refineries now add, to cover the difference between the net weight and the gross weight of the sugar, and for other factors not specified, 2 cents per 100 pounds, say	7.52
Making the total cost to the Chicago buyer of his one carload of sugar delivered at Chicago	1,897.76

The above program involves the American Sugar Refining Co. paying to the Trunk Line Railroad Co. 26 cents per 100 pounds on the 37,600 pounds—the assumed weight of the contents of the car. This is equal to $97.76; but as the American Sugar Refining Co. only collects from the buyer 24 cents per 100 pounds, the sugar refining company apparently absorbs the loss of 2 cents per 100 pounds in freight (say, 26 cents minus 2 cents), which amounts on each carload of sugar to $7.52.

When we come to analyze this item of $7.52 per car, we find that the railroad has agreed to accept the weight of an empty barrel containing the sugar as 16 pounds, although in actual practice it is found to weigh, say, 25 pounds.

The result of the foregoing is that in charging the Chicago buyer of the sugar 2 cents for tare, etc., the $7.52 per car, and only paying the railroad in reality 2 cents per 100 pounds, or, say, 1,600 pounds of tare, which equals $3.20 per car, the refiner has left a credit difference of $4.32 profit per car on each car.

If the barrels, as stated, are estimated to weigh 16 pounds each and actually weigh 25 pounds each, there is a difference of 900 pounds per car, say, on each shipment, for which the railroad is underpaid. This difference of 900 pounds on a car, the total gross weight of the sugar and tare in which is assumed to be 37,600 pounds, results in a short payment of freight to the railroad amounting to 2⅓ per cent.

	Pounds.
100 barrels at 25 pounds each	2,500
100 barrels at 16 pounds each	1,600
	900

Total weight upon which freight is paid to railroad company, 37,600 pounds—2⅓ per cent, 900 pounds.

Loss to railroad by underpayment on freight on actual gross weight of packages and sugar, 900 pounds at 26 cents per pound, $2.34 per car.

The official capacity or weight stenciled on cars carrying sugar from Philadelphia are mostly 60,000 or 80,000 pounds, a very large number of the latter being in use. While the carload minimum as specified in freight tariffs is 33,000 pounds, cars as above are constantly used for that purpose, but are generally loaded on the basis of 100 barrels of sugar to a car or 400 bags of sugar to a car. The gross weight of the 100 barrels of sugar is assumed by the refiners to be 37,600 pounds, and the 400 bags of sugar to weigh 40,000 pounds.

In view of the foregoing, it will be seen that sugar is constantly carried in carload lots at less than one-half the capacity of the car. Taking in the case a carload of sugar, New York to Chicago, it would mean the car is loaded with a freight of $97.76, and taken 912 miles, whereas the same car could equally well carry an amount of sugar that would pay the railroad $195.52.

TESTIMONY OF J. E. BURGUIERES—Continued.

The CHAIRMAN. Before proceeding with the examination, I will say that we have a number of witnesses who are subpœnaed to meet us at 10 o'clock in the morning. Of course, we can not postpone that, and it would involve a great deal of trouble unless we are on time. Therefore, I request each member of the committee to listen to the testimony in order to avoid any duplication, not to limit or hurry the witness, but not to go over the same ground, because we have not the time.

Mr. Burguieres, when the committee adjourned Saturday you had just about concluded making a few suggestions, a statement on your own account. Can you add to that statement now anything of interest that occurs to your own mind relative to the subject matter of this hearing?

Mr. BURGUIERES. Mr. Chairman, I do not think of anything more at this moment that I might add to what I said.

The CHAIRMAN. Mr. Burguieres, can you tell us what it costs to produce a pound of cane sugar 96° test?

Mr. BURGUIERES. I figure in a series of years that our cost would be around 3¾ cents.

The CHAIRMAN. Three and three-quarters cents?

Mr. BURGUIERES. Yes, sir.

The CHAIRMAN. What do you get for that same ton of raw sugar from the refineries?

Mr. BURGUIERES. We get the market, of course, which varies, less a deduction, and in a series of years we have been getting about 25 points under New York.

The CHAIRMAN. What would that average in a series of years?

Mr. BURGUIERES. Mr. Chairman, I have not made up those figures.

The CHAIRMAN. Would it be more or less than 4 cents?

Mr. BURGUIERES. It would be less than 4 cents.

The CHAIRMAN. In other words, you do not think that you get 25 cents profit?

Mr. BURGUIERES. I know that we do not.

The CHAIRMAN. In figuring the cost of producing—and I will say that by producing it means not only producing the cane, but manufacturing it, a certain amount, as I understand, 96° sugar—have you counted interest on the money, depreciation of plant, and all those items which financiers usually add in?

Mr. BURGUIERES. We have counted the interest on the money. We have counted——

The CHAIRMAN (interposing). That includes, of course, the value of the investment, lands, mill, and everything else?

Mr. BURGUIERES. Yes, sir. The figures were estimates which I made the other night, and I do not think that that provided sufficiently for the question of depreciation. The depreciation is quite an item in all sugar factories.

The CHAIRMAN. In a recent sugar publication, probably the most celebrated sugar expert in the world, or one of them, Prinsen Geerligs of Amsterdam, Holland, estimates the cost of sugar, 96° test (raw), in Java, 1.6 cents; in Hawaii, 2.03 cents; in Cuba, 2.7 cents. I do not know who furnished him the figures for Cuba, but they are 1 cent over those of our Government expert in the Department of Agriculture, Mr. Saylor, and I think are too high. You say that your figures are 3.75 for Louisiana?

Mr. BURGUIERES. About 3.75 cents, Mr. Chairman.

The CHAIRMAN. What accounts for that tremendous difference? Why does it cost you so very much more to make sugar in Louisiana than at any of these points?

Mr. BURGUIERES. First of all, the greater cost of our labor.

The CHAIRMAN. You employ negroes to do the bulk of it?

Mr. BURGUIERES. No.

The CHAIRMAN. They do the plantation work, at least?

Mr. BUGUIERES. I would say—take my own plantations and those I am interested in—I would say at least two-thirds of the labor we employ is the native white creole.

The CHAIRMAN. People of mixed blood?

Mr. BURGUIERES. No; not any more than my blood is mixed. They are the old French descendants and the Canadians.

The CHAIRMAN. They are all white people?

Mr. BURGUIERES. Yes, sir; white people.

The CHAIRMAN. They are of French descent?

Mr. BURGUIERES. French descent, and Spanish descent also.

The CHAIRMAN. French and Spanish mixed?

Mr. BURGUIERES. French and some Spanish. In some localities you will find the French and Spanish and in other localities you will find the French.

The CHAIRMAN. Why are they called creoles?

Mr. BURGUIERES. I think the origin of the term came down to us from some of the West Indies Islands. They had the creoles there. The term is not generally understood. Some people understand by creole that it means that there is a certain percentage of colored blood. That is not so.

The CHAIRMAN. That is a popular mistake?

Mr. BURGUIERES. That is a popular mistake.

The CHAIRMAN. They are really unmixed blood?

Mr. BURGUIERES. Yes, sir.

The CHAIRMAN. White people?

Mr. BURGUIERES. Yes, sir.

Mr. MADISON. Simply foreign born. The idea of the creole is one of foreign birth, is not that it?

Mr. BURGUIERES. That is it. They are all of French or Spanish descent. I would not say that the son of an Irishman or an Englishman was a creole. That is applied to the descendants of the French or the Spanish or the Canadians, who, of course, in turn were French.

Mr. MADISON. That is true in this country; but ordinarily the original signification was one of foreign birth rather than mixed blood or anything of that kind?

Mr. BURGUIERES. Yes, sir.

The CHAIRMAN. It was testified by some of the other witnesses in this case—I think Col. Wilkinson is the one I have in mind—that the bulk of the plantation labor was negro.

Mr. BURGUIERES. No; I rather think Mr. Wilkinson was rather deaf and did not hear very well. He was referring to his own plantation.

The CHAIRMAN. Is not that true in Louisiana as a whole?

Mr. BURGUIERES. No; it is not.

The CHAIRMAN. What percentage of the people are black?

Mr. BURGUIERES. I do not think the percentage would vary very much from my own plantation and those I am interested in.

The CHAIRMAN. You think yours are the average?

Mr. BURGUIERES. I think so. Perhaps we have on our plantations a little larger percentage of native creoles—that is, white people.

The CHAIRMAN. Give us the percentage.

Mr. BURGUIERES. I have given the percentage for my own plantations. I said about 65 per cent of our labor was native creole.

The CHAIRMAN. What is the other 35 per cent?

Mr. BURGUIERES. About 30 per cent is negro—colored people; I would rather use that term—and 5 per cent——

The CHAIRMAN (interposing). Why do you rather use that term?

Mr. BURGUIERES. Because the colored people prefer that term; that is the reason, and about 5 per cent——

The CHAIRMAN (interposing). I thought possibly you included the mulatto, that that was the reason.

Mr. BURGUIERES. I consider a mulatto a colored man.

The CHAIRMAN. I mean negro in a strictly technical sense.

Mr. BURGUIERES. I was going to say that about 5 per cent of the others, you get an occasional Mexican and a few Italians, and other nationalities, about 5 per cent.

The CHAIRMAN. Now, do the creoles get better prices than the colored people?

Mr. BURGUIERES. Generally, they do.

The CHAIRMAN. They do the same work, side by side, and get better prices?

Mr. BURGUIERES. The practice varies on different plantations. On our plantations we have our white labor segregated from the colored labor.

The CHAIRMAN. They do the same work?

Mr. BURGUIERES. The same work.

The CHAIRMAN. Side by side in the fields?

Mr. BURGUIERES. We try to keep them as much separated as possible.

The CHAIRMAN. At any rate, they do exactly the same kind and character of work even if not working in the same field?

Mr. BURGUIERES. The same kind and character of work.

The CHAIRMAN. What difference in pay is there?

Mr. BURGUIERES. I would say that our creoles get about 10 per cent more pay than the colored people.

The CHAIRMAN. Mr. Wilkinson gave the figure as $1.50, although he said that the average in the State would be about 80 cents.

Mr. BURGUIERES. The season of the year has to be taken into consideration.

The CHAIRMAN. I believe he mentioned that fact, but I mean the average of the year?

Mr. BURGUIERES. I would say that the wages would be at least $1.

The CHAIRMAN. All through Louisiana?

Mr. BURGUIERES. For the entire year, when we include the manufacturing season.

The CHAIRMAN. You mean the average, including in that average both white and colored labor?

Mr. BURGUIERES. Yes, sir; Mr. Chairman. That is common labor that I am referring to—field labor.

The CHAIRMAN. Have you any expert labor employed?

Mr. BURGUIERES. We use expert labor in the course of manufacture, which is another department of the work.

The CHAIRMAN. You have some sort of a process of getting the sugar manufactured up to the 96-test standard?

Mr. BURGUIERES. Yes, sir.

The CHAIRMAN. You have an engineer to run the machinery?

Mr. BURGUIERES. No; an engineer would not cover it. It requires a great deal of skill all through the manufacturing process.

The CHAIRMAN. What does that sort of labor average you?

Mr. BURGUIERES. Mr. Chairman, first of all, I did not expect that that line of questions would be propounded to me, and I would not want to mislead you. For instance, we have a superintendent of the factory and he has a couple of assistants, and some of the men draw good wages—high-class men.

The CHAIRMAN. Could you, after you return home, at your leisure, send us the pay roll of one of your plantations and the average?

Mr. BURGUIERES. I could do that, sir.

The CHAIRMAN. Starting at the top with the high-class men and going down to the field hands, to which we have been referring?

Mr. BURGUIERES. Yes, sir.

The CHAIRMAN. I will ask you to do that at your leisure.

Mr. BURGUIERES. For a given plantation?

The CHAIRMAN. Yes, sir. Are your plantations scattered throughout the sugar-producing district of Louisiana?

Mr. BURGUIERES. The plantations in which I am interested?

The CHAIRMAN. Yes, sir.

Mr. BURGUIERES. I would say that the plantations in which I am interested are pretty well distributed around.

The CHAIRMAN. Is there any material difference in cost in one section of the State from another?

Mr. BURGUIERES. I do not think so, Mr. Chairman; I think the conditions average up pretty much the same.

The CHAIRMAN. Suppose you do this. I will ask you this question, at the suggestion of one of my colleagues, in giving us the figures, give us the figures from several plantations in different localities of the State.

Mr. BURGUIERES. Yes, sir. Mr. Chairman, by "several," what do you understand by that; what number should that convey to my mind?

The CHAIRMAN. That would mean three or four scattered throughout the different parts of the State.

Mr. BURGUIERES. Yes, sir.

The CHAIRMAN. I want you to give me your opinion on this:

Years ago, when the production and rebates on beet sugar in Europe drove prices of cane sugar down, the cane-producing countries or colonies of the world were brought face to face with ruin, and especially in Java, and Mr. Geerligs—he is the Dutch expert to whom I referred—said of the then situation in a great sugar journal, I think a London journal:

> The sugar manufacturers of Java had already sold their crop, so that during this year the consequences of the fall of price did not immediately affect them. In the next year the buyers offered very low prices, which meant great losses to the producers. Many of the manufacturers, not caring to accept the price offered, held their sugar or shipped it themselves to Europe, in the hope of receiving better prices; but the quotations remained low, and the small, unorganized factories suffered bitter losses.

Did that production of beet sugar in Europe and throughout the world affect the cane industry in this country at that time?

Mr. BURGUIERES. What year?

The CHAIRMAN. 1883 is the year.

Mr. BURGUIERES. Mr. Chairman, I am not familiar with the conditions that obtained at that time, as I only got into active work about 11 years after that, in 1894.

The CHAIRMAN. You can not tell us about that?

Mr. BURGUIERES. I am sure anything I might say upon that subject would be mere guesswork upon my part and might mislead. I could give the matter some study and investigation and then give a reply, but I would not want to do it offhand.

The CHAIRMAN. Mr. Geerligs makes this comment on the situation: He calls attention to the fact that a great cane disease—do you know what that is, a disease to the cane stalk?

Mr. BURGUIERES. There are various diseases, and unless he has stated the particular nature of the disease I would be at sea. There are various diseases.

The CHAIRMAN. One of these diseases, I do not know which, evidently threatened the crop at that time, and he goes on and makes this remark:

Although threatened from two sides, namely, by low prices and the cane disease, the factory owners did not hesitate to introduce all possible improvements in planting, means of transportation, and factory equipment which, in their opinion, would serve to reduce the cost of manufacture and increase the yield.

Did the same thing happen down in Louisiana?

Mr. BURGUIERES. Will you kindly repeat that?

The CHAIRMAN. He said that when threatened with this tremendous competition and with this cane disease in Java that the factory owners and the sugar planters there used the most improved methods in planting, means of transportation, and factory equipment, in order to reduce the cost of manufacture, and he remarks that they evidently succeeded, because they got it down to 1.6 cents a pound, the cost of production. You have not been that successful in Louisiana?

Mr. BURGUIERES. In getting the cost down?

The CHAIRMAN. Yes, sir.

Mr. BURGUIERES. Not by any means, Mr. Chairman.

The CHAIRMAN. Do you know the scale of prices paid in Java?

Mr. BURGUIERES. For labor?

The CHAIRMAN. Yes, sir.

Mr. BURGUIERES. I do not know.

The CHAIRMAN. Outside of that advantage, if there is any—I will say that there is some particular advantage on the plantation.

Mr. BURGUIERES. I know they have a decided advantage, but I can not state the figures.

The CHAIRMAN. Mr. Geerligs says this:

In recent times more and more crude white sugar is being prepared directly from the cane juice without being subjected to refining—

He is speaking of Java sugar without being subjected to refining—

The juice is clarified with more than ordinary care, the thick juice is allowed to settle out well, and the sugar crystals obtained are washed in the centrifuges. In this way it has been possible for certain factories in Java to recover all available sugar from the juice in the form of unobjectionable white goods for direct consumption, and nowadays the amount of white sugar produced in Java can be reckoned at one-third of the total production—

That is, sugar like this [exhibiting]—

Louisiana, Natal, Mauritius, Hawaii, and also Formosa, are making white sugar, and the white sugar so made is constantly increasing in amount.

That is true in Louisiana?

Mr. BURGUIERES. It is not true in Louisiana.

The CHAIRMAN. It is not true in Louisiana?

Mr. BURGUIERES. No, sir.

The CHAIRMAN (reading):

The white Java sugar which is chiefly exported to nearer India has also in recent years been tentatively shipped to Great Britain, where it has been well received, so that doubtless white, crude, colonial sugar will in the future find its way to Europe.

Could you give me, either now or later, how much the cost of producing a pound of cane sugar in Louisiana has been decreased from 1883 to the present time?

Mr. BURGUIERES. I could not, Mr. Chairman, without reference to the records.

The CHAIRMAN. Could you do it by reference to the records? Are they accessible?

Mr. BURGUIERES. I think I could get the records. I would not want to be too sure. I certainly could make the effort.

The CHAIRMAN. When you send the other figures send the figures on that beginning with the year 1883 down to the present time, giving us the reduction in the cost of manufacture during that series of years.

Mr. BURGUIERES. Yes, sir; I will endeavor to do that.

The CHAIRMAN. That is all.

Mr. RAKER. I have a couple of matters. You spoke on Saturday in regard to the brokers. Do I understand that the sugar in Louisiana and Texas is handled in New Orleans by brokers?

Mr. BURGUIERES. It is, sir.

Mr. RAKER. Would you explain to the committee what necessity there is for a broker under the conditions now and which have prevailed for the last 10 or 12 years?

Mr. BURGUIERES. The planters, of course, give their whole undivided time and attention to the production of their sugar, in order to get it down to the lowest possible cost. In doing this they have not the time to do justice to the marketing of their sugar and hence the employment of the brokers.

Mr. RAKER. About what per cent does the broker charge in New Orleans?

Mr. BURGUIERES. The charge is a nominal one—about 10 cents a package.

Mr. RAKER. Does that mean a barrel or a sack?

Mr. BURGUIERES. Either a barrel or a sack. It means from 320 to 350 pounds of sugar, depending on the character of the package.

Mr. RAKER. Their value amounts to little so far as raising the price to the producer is concerned, because they in turn sell practically to but one institution, viz, the American Sugar Refining Co.?

Mr. BURGUIERES. Yes; you are right about that. The bulk of the sugar goes to the American Sugar Refining Co. and they look after the receiving of the sugars, the weighing of them, and proper deliveries, and so on. They make claims against the transportation companies where shortage occurs, and so on.

Mr. RAKER. Is that a benefit to the producer and manufacturer to have the brokers handle it, or does that just take that much from him?

Mr. BURGUIERES. It takes that much from him, but he possibly would lose more than that 10 cents a package if he attempted to handle it himself from his own plantation.

Mr. RAKER. I see.

Why do not these men send their sugars up the Mississippi River on boats where the water transportation is cheap and can be made so much cheaper than by rail? There is a great field of distribution up the Mississippi River, is there not?

Mr. BURGUIERES. I think, sir, the question of water transportation is a very broad one, and the water people pretend that the rates,

etc., made by the railroads have not enabled them to reach these territories heretofore. Just at this time I understand that the question of water transportation is receiving very serious consideration on the part of the people at large again, but it has been very badly neglected, I think we all agree to that, in the last few years.

Mr. RAKER. From the testimony heretofore, going through practically the whole hearing, it seems when they go into freight rates and find how sugar has been handled they all quit or dump in the Missouri River or Mississippi River. It seems to me that the Louisiana and Texas people have such a grand waterway that they could send the sugar up the river and give the people up the river competition. I wonder why they do not do it. Do you know?

Mr. BURGUIERES. The water transportation, as I think I said a little while ago, had been so unprofitable that it had been neglected, but just at this time the attention of the water transportation people is again being given to the use of the Mississippi River and its tributaries. I believe that these great waterways will receive very much more serious consideration from now on than they have in the last 10 or 15 years.

Mr. RAKER. What percentage of the cost per pound of sugar goes to the cane grower, if you know?

Mr. BURGUIERES. The cane grower gets about 64 per cent of the cost. It amounts to about 64 per cent. I made those figures very carefully.

Mr. RAKER. A pound of sugar, you mean?

Mr. BURGUIERES. Yes, sir.

Mr. RAKER. For producing a pound of sugar?

Mr. BURGUIERES. Yes, sir. Right along that line, the transportation company gets about 13 per cent and the manufacturer gets the difference, just about 23 per cent.

Mr. RAKER. One other question on this line. Can you explain to the committee why, from your observation and personal experience with the class of sugar which has been presented to the committee marked "St. Louis," which is about 97 test——

Mr. BURGUIERES (interposing). That sugar will run from 98½ to 99.

Mr. RAKER. 98½ to 99—why that sugar is not used by the people in your country, and even in the North and West; what has caused it to be taken from the market?

Mr. BURGUIERES. The reason why it has not been used, in my opinion, sir, is due to the fact that the consumers can not get a dependable supply of that sugar throughout the year.

Mr. RAKER. Very well. Why can not they get a dependable supply; explain that, will you?

Mr. BURGUIERES. The main reason is due to the fact that the Louisiana planters have not the money with which to satisfactorily market those sugars. By satisfactorily marketing them I mean this, that they would have to be carried over from one crop until the next crop and distributed throughout the 12 months.

Mr. RAKER. Just like the man who has grain; he has to begin to sell it from the machine?

Mr. BURGUIERES. Yes, sir; his grain or wheat, or any other crop.

Mr. RAKER. So far as the sugar itself is concerned and so far as its purity is concerned and its use, it is just as valuable to use as the others?

Mr. BURGUIERES. It is just as valuable to use as the others.

Mr. RAKER. Do you know anything that could be said against——

Mr. BURGUIERES (interposing). Pardon me. I would like to add to the statement that it is just as valuable to use as the others; that it is not as attractive looking as the standard granulated sugar, of course.

Mr. RAKER. That depends upon a man's viewpoint. One of these [indicating] looks good to a fellow and the other does not look equally as good.

Mr. BURGUIERES. That may be. I rather think the bulk of the consumers would be a little bit prejudiced against the color of that sugar as compared to that of the standard granulated.

Mr. RAKER. So far as health is concerned—using this sugar in preserves and fruits—is not this as good as refined sugar; in fact, a little better?

Mr. BURGUIERES. It is equally as good as any other sugar.

Mr. RAKER. The statement made, or tried to be made, and circulated over the country that this is unhealthful is not a fact?

Mr. BURGUIERES. To my mind, it is absolutely not a fact.

Mr. FORDNEY. Has that statement ever been made?

Mr. RAKER. I saw that in some journal. This is 98½ or 99?

Mr. BURGUIERES. Yes, sir.

Mr. FORDNEY. Who was that statement made by?

Mr. RAKER. Here it is—Prof. Cameron, public analyst of the city of Dublin, who has examined samples of raw sugar, states that they contained great numbers of digusting insects which produce a disgusting disease. His description is as follows:

The *Acarus sacchari* is a formidably organized, exceedingly lively, and decidedly ugly little animal. From its oval-shaped body stretches forth a proposcis terminating in a kind of scissors, with which it seizes upon its food. Its organs of locomotion consist of eight legs, each jointed and furnished at its extremity with a hook. In the sugar its movements from one place to another are necessarily very slow, but when placed on a perfectly clean and dry surface it moves along with great rapidity.

So far as this sugar is concerned it does not apply, does it?

Mr. BURGUIERES. We do not consider that is raw sugar, and therefore that would not apply to those samples.

Mr. RAKER. Let us get this straightened out. This [exhibiting] is unrefined sugar?

Mr. BURGUIERES. That is not a sugar refined in the sense that we generally understand refined sugar.

Mr. RAKER. Does not the public, from your observation, understand that this sugar coming from the cane factories is not refined, that the word "raw" sugar applies to it? I am talking of the public; I am not talking of a man engaged in the business like you.

Mr. BURGUIERES. They may be laboring under that impression.

Mr. RAKER. That is the impression not only given to me before the committee, but always heretofore.

Mr. BURGUIERES. We can not say that is refined sugar in the strict sense of the term, and therefore if a consumer asked me the question, a direct question, "Is it a refined sugar or is it not?" I could not truthfully say to him that it was a refined sugar in the sense that I understand refined sugar to be made.

Mr. RAKER. That is right.

Mr. MADISON. Did you say that it was a raw sugar?

Mr. BURGUIERES. No, sir; I would not say it was a raw sugar, because it is a sugar that has been specially manufactured, where it has been brought up to within a very small fraction of standard granulated. I would say to such an individual that it is just as wholesome and pure a sugar as any sugar he could secure for its test. I would not classify——

Mr. FORDNEY (interposing). Is there anything in that sugar that is extracted by refining to make it absolutely pure granulated sugar except sirup?

Mr. BURGUIERES. Only the sirup and a little bit of coloring matter. There is a little cloud; it is the sirup and a little bit of the coloring matter, which they take out through the bone-black filtration.

Mr. RAKER. This *Acarus sacchari* is an insect on the cane and never occurs in the sugar?

Mr. BURGUIERES. That is right; that is my understanding of it, sir.

Mr. RAKER. Quoting further from this journal so that it may go into the record, it says:

The number of *Acari* found in raw sugar is sometimes exceedingly great, and in no instance is the article quite free from either the insects or their eggs.

That can not hardly be true?

Mr. BURGUIERES. I should not think so.

Mr. RAYS. It says:

Muscovado, as it comes from the colonies, should never be used.

He further says:

The *Acari sacchari* do not occur in refined sugar of any quality, because they can not pass through the charcoal filters of the refinery, and because refined sugar does not contain any nitrogenous substance upon which they could feed.

Would not that be intended to convey the idea to one who had not gone into the subject that any sugar, even as fine as this sugar, would be dangerous to use unless it had been actually refined?

Mr. BURGUIERES. I would say that it would convey that idea.

Mr. FORDNEY. All of the juice from the cane is boiled down to sugar and sirup?

Mr. BURGUIERES. It is boiled to such a high temperature that it is not possible for any insect or microbe to exist.

Mr. RAKER. In the sugar countries, so far as my limited knowledge goes, I have seen them inquire at the store for this kind of sugar, and my wife has also inquired for it and she could not get it. What she does get is a heavy, dark, black sugar, but none of this kind is for sale. This is better for fruit and gives better results than the refined sugar does. That being the case, there must be some reason, some one must be responsible for taking this sugar off the market. I think you can illustrate that.

Mr. BURGUIERES. I stated a little while ago that our planters have not the money with which, first of all, to carry these sugars to properly and satisfactorily market them after they were once produced. For that reason, being short of money, hoping to obtain a financial advantage, they are forced to sell them as produced, and then, of course, the refineries only buy them on a test basis, just as they buy raw sugar.

Mr. RAKER. And the refiner gets in the selling price above what he pays for it in the neighborhood of 75 points as an average?

Mr. BURGUIERES. You are talking about the average in the matter of refining?

Mr. RAKER. Let me state it this way: Take this kind of sugar, the St. Louis brand, that would be sold in New Orleans for about what to the American Sugar Refining Co.?

Mr. BURGUIERES. If sold in the rush season strictly on a test basis, if 96 sugar was bringing 3½ cents, those sugars if they tested 99 would bring three-sixteenths above a half, which would be eleven-sixteenths.

Mr. RAKER. Now, how much would this kind of sugar sell for in the market after refined—the ordinary price?

Mr. BURGUIERES. It sells just as all other sugars, and generally the margin between 96 and refined is about 1 cent in the rough.

Mr. RAKER. Very well; now, being about 1 cent, if it cost half a cent to refine it the refiner would make half a cent upon the deal?

Mr. BURGUIERES. It costs very much less to refine this sugar, but——

Mr. RAKER (interposing). If it costs less than 40, why that would make a profit of 60; that would be right?

Mr. BURGUIERES. Unquestionably.

Mr. RAKER. Is it not then to the advantage and is it not one of the things being done all the time, that the object and purpose of the great refining interests is to make the people believe that this kind of sugar should not be used, and therefore that they should use the refined sugar, so that they may make this enormous profit?

Mr. BURGUIERES. I think it is perfectly natural that the refiners should advocate and urge the consumption of standard granulated as against any other sugar produced.

Mr. RAKER. I think that is all. No; there one question. Is there any considerable benefit from by-products in your State to the farmer?

Mr. BURGUIERES. To the farmer or manufacturer?

Mr. RAKER. Put it both ways, the farmer and then the manufacturer.

Mr. BURGUIERES. I would say that the by-products are quite a help to the farmer, as also the manufacturer, because frequently the manufacturer is, to some extent, a producer of his sugar cane, and the molasses is a splendid stock feed. Some of our great experts in stock feed—Dr. Stubbs, for instance, who happens to be here to-day—will say to anybody that molasses in conjunction with grain has the value, pound for pound, of any grain in the world. It is possible to make the best-balanced ration for stock with the use of molasses.

Mr. RAKER. About how much per acre would the toppings amount to? I do not know whether that is the name, but it is feed, and they say it is worth about $5 a ton.

Mr. BURGUIERES. You mean the tops?

Mr. RAKER. Yes, sir.

Mr. BURGUIERES. It is fed some little to stock, but to a very small degree, for the reason that we want to burn the tops and the trash as quickly as possible in order to get around any possible insect life, which is one of the propositions that the producer of cane throughout the sugar country has to encounter.

Mr. RAKER. To whom does this by-product—for instance, molasses—go?

Mr. BURGUIERES. The molasses goes to the manufacturer, who pays what he considers the highest possible price for his raw material. I want to say right here that he sells this molasses at the market price, and below the market price, to the little farmer in order to help him along.

Mr. RAKER. I think that is all.

Mr. MADISON. What is muscovado?

Mr. BURGUIERES. It is a very low sugar made in the Tropics in the primitive way with a large percentage of molasses in it, generally very heavy in molasses.

Mr. MADISON. It is of a low grade?

Mr. BURGUIERES. Very low grade.

Mr. MADISON. Would you say that a low grade sugar might have this insect in it?

Mr. BURGUIERES. I can not understand how it could have that insect in it.

Mr. RAKER. It tests about 89?

Mr. BURGUIERES. Yes; below 89.

Mr. MADISON. I would like to ask whether or not muscovado could have that insect in it?

Mr. BURGUIERES. I do not see how it could have that insect.

Mr. MADISON. How is muscovado produced, it is a manufactured sugar?

Mr. BURGUIERES. It is a manufactured sugar.

Mr. MADISON. How is it manufactured?

Mr. BURGUIERES. It is manufactured, of course, in the Tropics, in the primitive mills down there. Very little of the molasses is extracted and for that reason there is a large percentage of molasses in it.

Mr. MADISON. Then, as a matter of fact, it is rather rich, if you will pardon the expression, in impurities?

Mr. BURGUIERES. It is rich in impurities of that class. All our sugars have, if all the molasses is not washed out and extracted from the sugar.

Mr. MADISON. What per cent would it contain of dirt and other impurities besides molasses?

Mr. BURGUIERES. That would depend on the particular muscovado. It is very difficult to talk about a given sugar in the abstract without reference to a particular sugar of which we have a commercial analysis.

Mr. MADISON. Well, just take the average. When we ask general questions, we mean just the average. What would it show in the way of dirt and impurities of that kind?

Mr. BURGUIERES. I would not be able to give you any adequate information on that, for the reason that I never have had occasion to have them tested or handled them in any shape or form.

Mr. MADISON. What would there be in the process of the muscovado that would eliminate this insect?

Mr. BURGUIERES. I can not understand that the insect could be in the muscovado, for the reason that the process of making the muscovado—the clarification of the juice—the temperature is so

high that it would kill any insect or germ life. Therefore, to my mind, there is no insect life there. Such impurities as would exist would be a small percentage of either dirt or fibrous materials from the cane itself, but there would be no insect or germ life.

Mr. MADISON. What about a raw sugar that has not gone through the process of manufacture, but is just fresh from the mill, and is raw sugar pure and simple? Could this insect that has been referred to by this analyst of the city of Dublin exist in this raw sugar?

Mr. BURGUIERES. I can not conceive, sir, how it would be possible for this insect to get into any raw sugar.

Mr. MADISON. Now, why would you say that? What is there in the production of raw sugar that would tend to destroy that insect?

Mr. BURGUIERES. I think I have stated once or twice before, sir, that in the manufacture of all sugars, whether raw or refined, high temperatures are applied to the liquors, and those high temperatures destroy all insect or germ life.

Mr. MADISON. Well, I understood you to refer more particularly to the muscovado when you said that, and I just wanted to develop the facts so as to test the accuracy of the statement made by this man.

Mr. BURGUIERES. I can not understand the proposition advanced there about the insect life, because, as I have stated, in the manufacture of all sugars, whether muscavado or other raws, high temperatures are applied to the juices, and those temperatures are more than sufficient to destroy any insect or germ life that might be there.

Mr. MADISON. I understood you to testify on Saturday that you had, in fact, been boycotted by the American Sugar Refining Co., for a short time at least, because of the fact that you made a sale to the Federal Sugar Refining Co.; and my recollection is that you testified this instance occurred in the fall of 1907, while the American Sugar Refining Co. was under the old régime: that is, it was before December 7, 1907, which is the date of the death of Mr. Havemeyer. Now, have you had any experience of a similar character since the establishment of the new régime, or has anybody else with whom you are acquainted had an experience of that kind?

Mr. BURGUIERES. I have no knowledge, sir, of the American Sugar Refining Co. at New Orleans refusing to buy sugars or neglecting to consider sugars of any individuals other than that particular instance you have referred to.

Mr. MADISON. Not since the time of the reorganization of the company or since the death of Mr. Havemeyer?

Mr. BURGUIERES. I have no knowledge of it.

Mr. MADISON. Do you know of any other instances previous to that time?

Mr. BURGUIERES. I can not say that I do know of any other instances previous to that time where the refiner did not buy sugars, or refused, for a certain length of time, to buy certain sugars. Of course, there has been that general fear on the part of the planters that they had better be very good, otherwise they might suffer in just that way.

Mr. MADISON. Now tell us why they have had that fear.

Mr. BURGUIERES. I think it was a natural fear. There was practically only one buyer there.

Mr. MADISON. What was there to prevent the Arbuckle people and the Federal Sugar Refining Co., who are competitors, from coming down there and buying?

Mr. BURGUIERES. It is my own opinion they feared it might precipitate a war between themselves.

Mr. MADISON. Now, what do you base that opinion upon?

Mr. BURGUIERES. I base that opinion upon my inability to get any of the independent refiners to come down there and bid upon our sugars.

Mr. MADISON. What efforts did you make to get them to come down?

Mr. BURGUIERES. I made repeated efforts. I tried to talk them into it, and they said:

No, sir; we will not go down into your market, but you come up here and deliver sugars to us, and we will buy them from you just as we buy them from the tropical producers or from the producers from any other part of the globe.

Mr. MADISON. What reason did they give for not going down there?

Mr. BURGUIERES. I rather fear I was unable to get a satisfactory reason from any of them on that subject.

Mr. MADISON. I asked what reason they advanced?

Mr. BURGUIERES. I was unable to get a reason from any of the refiners.

Mr. MADISON. Then you did not get any reason, satisfactory or otherwise?

Mr. BURGUIERES. I got no reason.

Mr. MADISON. They just simply said they would not go there?

Mr. BURGUIERES. They said they would not go, and of course I made my own deduction.

Mr. MADISON. Did you base it upon anything that was said or any circumstances of which you were cognizant at the time; if so, what were they?

Mr. BURGUIERES. There was nothing said at the time, but I could draw no other conclusion, since the refiners will all admit that the Louisiana sugars are the most attractive sugars for refining purposes. If the sugars were most attractive and the prices were attractive, certainly there could be no other reason why they should keep away from the New Orleans market than the fact they did not care to invade a territory that might have been considered territory of the American Sugar Refining Co.

Mr. MADISON. Do you know of any territory that these other refiners have which the American Sugar Refining Co. respects?

Mr. BURGUIERES. I do not, sir.

Mr. MADISON. Do you know where the Federal and the Arbuckel people secure their raw material?

Mr. BURGUIERES. They get their raw materials from the raw sugar producing world. The bulk of it, of course, comes from Cuba. They draw from Porto Rico and the Sandwich Islands, and sometimes from Java, and in extreme cases, they secure raw beets from continental Europe.

Mr. MADISON. Are you sure they buy from Porto Rico?

Mr. BURGUIERES. When I said "from," I meant consumed Porto Rican sugars. The Porto Rican sugars are sold to them in New York.

Mr. MADISON. I understand that, but are you sure they buy Porto Rican sugars?

Mr. BURGUIERES. They refine Porto Rican sugars; and I can not understand how they could refine them without buying them, sir.

Mr. MADISON. Well, that follows as a necessary conclusion, and I simply wanted to know if you knew that fact.

Now, then, are we to understand that this is the situation: That the American Sugar Refining Co. is in possession of your New Orleans market; that these independent purchasers and producers in New York never come down to your place to buy sugar; that they simply remain there in their New York market, and in order for you to sell them any sugar you have to take it to them in New York and deliver it to them. That is the substance of your testimony?

Mr. BURGUIERES. I do not think it would be quite correct to say that they never invade the New Orleans market, because we had one instance which I cited in which the Federal Sugar Refining Co. did come down, and in that particular instance they were unsuccessful in securing sugars, and since that time, and even before then, they have kept very distinctly away from the New Orleans or Louisiana market.

Mr. MADISON. Now, would you say the reason they stayed away was because of the fact that they did not receive any encouragement from the planters; that the planters are not friendly to them; that for some reason—and I gather from your testimony that perhaps that reason is fear of the American Sugar Refining Co.—these people stay away. In other words, that the principal reason why the Federal Sugar Refining Co. do not come to you is because they have not received any encouragement from you, and by "you" I mean your people down there and the planters there generally.

Mr. BURGUIERES. Our people, like the producers of any other commodity, are desirous of obtaining the highest possible price for their product, and I can only ascribe one reason for their not having sold more liberally to the Federal Refining Co., and that was the fact that they were afraid of the American Sugar Refining Co.

Mr. MADISON. Then you undertake to say, as one of the large sugar producers, that you and your neighbors, as a matter of fact, have that fear to-day, growing out of your experience of a number of years ago with the American Sugar Refining Co.?

Mr. BURGUIERES. My neighbors and I?

Mr. MADISON. Yes; I mean those engaged in the same business with you. Now, I may say to you in a perfectly friendly way that to my mind the most important testimony you gentlemen have produced here has been as to the condition of that market down there; that you have not but one buyer, and that the others stay out. To my mind it is important for us to know why. Is it because of an agreement between themselves or is it because of fear of the American Sugar Refining Co. on the part of the independents; or is it because of the reluctance of your people to sell to them—a lack of encouragement to them?

Mr. BURGUIERES. I would say, sir, that it was because of a combined fear on the part of the planters to sell away from the American Refinery, and also because of a disposition on the part of the independent refiners not to invade the territory that has been considered the exclusive territory of the American Sugar Refining Co.

Mr. MADISON. And whether they have an agreement to that effect or not, you do not know?

Mr. BURGUIERES. I do not know, sir.

Mr. MADISON. But you would say that they are filled with a fear of invading their territory, of a war that might be precipitated on them?

Mr. BURGUIERES. It does seem to me that way, sir.

Mr. MADISON. And you draw that conclusion, not necessarily from what men have said to you, but from the conditions as they have existed and the course of dealing you have had extending over a long number of years?

Mr. BURGUIERES. For that reason, sir.

Mr. MADISON. It is very often true that reasons are very subtle, that conditions are very subtle and hard to define, and yet they are very apparent to men who are surrounded by them.

Mr. BURGUIERES. That is just such a situation, sir.

Mr. MADISON. Now, then, Mr. Burguieres, there is another important matter in connection with the Louisiana sugar situation. The tariff has been dragged in here to some extent, and I do not know whether we are authorized to go into the question from the standpoint of the tariff or not, but it has been brought in, and the evidence before this committee is to the effect that there is a fairly large per cent of the sugar of this country produced in this country and in its dependencies. Your folks produce about 345,000 to 350,000 tons per year. One or two of the witnesses who preceded you have expressed an opinion as to the question of the expansion of the sugar industry in Louisiana. I do not think you have testified about it, have you?

Mr. BURGUIERES. I have not, sir.

Mr. MADISON. I would like for you to tell the committee what your opinion is with regard to the ability to expand the sugar industry in Louisiana; what the people of this country may expect, so far as the matter of your ability to expand is concerned; and, also, what we may expect with regard to your disposition to do that, and to increase the output of sugar in Louisiana.

Mr. BURGUIERES. Our people have always been more than anxious to expand the industry, and if we have not made greater progress it is simply because of the fact that whenever Congress convened up came the sugar question. If the sugar tariff is left alone, sir, it is my humble opinion that Louisiana will more than double her production in a very short time. In fact, right now we have a state of affairs confronting us in Louisiana that is very serious, indeed, because of the boll weevil. We were producing nearly a million bales of cotton a few years ago, and to-day our production has dropped down over 75 per cent. Our people are more than anxious to get into cane. They are getting into it very fast just at this time. We can well illustrate that by showing you a little table covering the railroad movement of sugar cane. The increase has been large, and especially so in the last two or three years since the advent of the boll weevil. We had hoped that we could have expanded the industry—that the tariff would have been left alone, and that our people, growing cotton heretofore, could get into the growing of cane, and could find the factories with which to manufacture this cane. It requires a great deal of money to build up these factories, and it is absolutely impossible, in the light of existing conditions, to get money unless we know that our sugar tariff is going to be left alone.

Mr. MADISON. Have you any idea as to the number of acres in Louisiana and in Texas, and in the country on the Gulf there, that is capable of producing sugar cane in large quantities, or producing sugar cane profitably?

Mr. BURGUIERES. My dear sir, the area in Louisiana and Texas—and I do not touch upon Florida because I personally do not know much about the local conditions in Florida—but I would say that easily the crop of sugar of Louisiana and Texas could be multiplied four or five times in a very short time. I happen to know a good deal about the conditions that obtain in Texas, especially in the lower Rio Grande Valley, and it is a field which offers a tremendous opportunity for the development of sugar. They are farther south than we are down in Louisiana, the climatic conditions are even more favorable, and it is a country where they have to resort to irrigation. We all know that where irrigation is employed it is possible to obtain the most uniform crops. Moisture is applied just when required, and it is kept off when you desire to force maturity. And I should say that in the course of 10 or 12 years it would not be unreasonable to expect a crop of sugar of a million and a quarter or a million and a half tons to be produced in Louisiana and Texas alone, if the sugar tariff is left undisturbed.

Mr. MADISON. Do you think a material cut could be made in the tariff without seriously injuring your industry?

Mr. BURGUIERES. I maintain, and our records will prove it, that no cut could be made without seriously hampering the industry and withholding any further developments.

Mr. MADISON. Suppose the sugar tariff was cut in two?

Mr. BURGUIERES. If the sugar tariff was cut in two it would completely and immediately annihilate the sugar industry of Louisiana.

Mr. MADISON. Wipe it off of the face of the earth?

Mr. BURGUIERES. Wipe it off of the face of the earth.

Mr. MADISON. How much money have you folks invested in the sugar business? Can you give it in approximate figures?

Mr. BURGUIERES. Well, I should say, one way and another, there are three or four million dollars invested one way and another in the business.

Mr. MADISON. Do you have any idea how many people are dependent upon the industry?

Mr. BURGUIERES. At least one-half of the population of the State of Louisiana.

Mr. MADISON. And the State of Louisiana has how many people?

Mr. BURGUIERES. About 1,750,000 people, sir.

Mr. MADISON. Well, do you mean that is the number of people who are actually engaged in the raising, the manufacture, and sale of sugar?

Mr. BURGUIERES. I mean the people who are connected, directly and indirectly, with it, in the matter of transportation and market and production, and connected in some way with the industry.

Mr. MADISON. In other words, who are dependent upon it for support?

Mr. BURGUIERES. Who are dependent upon the industry for support; yes.

Mr. MADISON. Then your testimony is that if the present tariff was allowed to remain where it is—if the people of Louisiana could feel

that there was a stable condition ahead of them for a period of 10 or 12 years—that the State of Louisiana and the neighboring State of Texas could produce, perhaps, a million and a quarter tons of sugar?

Mr. BURGUIERES. Yes, sir; that is my opinion.

Mr. MADISON. Can you state to us that there is a real disposition upon the part of your people to expand in that industry, aside from the boll-weevil proposition?

Mr. BURGUIERES. I can say to you, sir, that that is the disposition, because just this year there is being expended in new factories in Louisiana and in extensions of existing factories nearly $2,000,000.

Mr. MADISON. By that you do not mean sugar refineries? You mean factories for the purpose of producing the kind of sugar you have produced here?

Mr. BURGUIERES. Raw sugars; yes, sir.

Mr. MADISON. For sale to the refiners?

Mr. BURGUIERES. For sale to the refiners; yes. In the State of Texas, in the lower Rio Grande country alone, there are three new factories going up this year, and with the one factory that was already there, there are now four factories located there for the next campaign.

Mr. MADISON. Now, I want to ask you a question about the effect of the Dutch standard. Under the provisions of our tariff law to-day all sugars above No. 16 in color, Dutch standard, must pay the highest rate of duty—$1.90 per hundred. The effect of that, of course, must be to keep out the kind of sugar you gentlemen have brought here—that is, the sugar has not actually gone through a refinery, but, as a matter of fact, is a healthful and fairly good appearing sugar, for which you say there is a gradually extended market, a greater demand. Now, that sugar is unquestionably kept out by the Dutch-standard proposition. Suppose that was to be removed—just simply take out, as most all countries of the world have, the Dutch standard or the color test, and judge sugar coming in purely according to the polariscopic test—what effect would that have on your industry?

Mr. BURGUIERES. It would have the effect, sir, of making it absolutely impossible for us to hope to extend our work in the making of these better sugars, which is the one aim of our Louisiana planters, in order not to be dependent upon the sugar refineries in the sale of our product. We want to get our product directly to the consumer.

Mr. MADISON. Then, I am to understand that your testimony is to the effect that, if we were to eliminate the Dutch standard, that the effect of it would be to place the grip of the American Sugar Refining Co., or the Sugar Trust, just the tighter upon the throats of the Louisiana sugar planters; is that correct?

Mr. BURGUIERES. I can not conceive, sir, of any situation where they could have a position of greater advantage over us than they now have, but it would be possible, sir, for outside sugar producers to send in a sugar of like color, attractive in appearance, and very low tested, and to perpetrate a fraud upon the American consumer by handing him over a sugar that in actual sucrose is low, but, so far as color is concerned, is very attractive. The Scotch people have already done that.

Mr. MADISON. Why can you not do that? Why can you not adulterate the sugar and do the same thing that the Scotch people are doing, so far as selling this sugar up in Minnesota and other places is concerned?

Mr. BURGUIERES. There is some secret attached to doing that sort of work. I do not know of anyone in Louisiana who has got on to that as yet. The Scotch refiners do happen to know it, and until we did discover the way we would be debarred from making such a sugar, and the innocent American consumer would be getting what might be represented to him as a bargain, but he would be duped all the while.

Mr. MADISON. Then, as a matter of fact, whether you would do that or not, the fact is that you can not do so because you do not know how to adulterate it?

Mr. BURGUIERES. We do not know how to do it, sir.

Mr. MADISON. So that you would be selling in the American market a pure sugar, just what you represented it to be, and the other fellow would be selling in the American market something which appeared to be a good sugar, but was not a pure sugar in fact. I am not making that as an assertion of my own, but stating it in an interrogative way.

Mr. BURGUIERES. That is the situation, sir, and it can best be illustrated by a little comparison which I happen to have here before me. If the American consumer buys 100 pounds of pure sugar at $5, we will say, each pound of sucrose will cost him 5 cents. If he buys 100 pounds of this Scotch refined sugar to which I have just referred for $5—and I am assuming that sugar is only a test of 85°, polariscopic test—he pays $5 for 85 pounds of sucrose, or 5.85 cents for each pound of sucrose, or nearly 1 cent per pound above its true value.

Mr. FORDNEY. There are 15 pounds of impurity out of each 100 pounds?

Mr. RAKER. Could not the weight of that sugar be tested in order to find its actual strength?

Mr. BURGUIERES. Unfortunately, the American consumer does not test the sugar. He buys it upon its outside appearance.

Mr. MADISON. The Government would test it for the payment of the duty on it, and it would then go into the market and the Government would lose track of it.

Mr. BURGUIERES. The Government would lose track of it entirely then.

Mr. MADISON. The pure-food law would not cover it?

Mr. BURGUIERES. You would not call such a sugar an impure sugar. It is pure as far as it goes, but it does not go far enough.

Mr. RAKER. Suppose the refiner was compelled to brand his sugar and show what percentage of sweetness was in it. Would the consumer then be protected.

Mr. BURGUIERES. I doubt whether that would protect the average American consumer, because he does not know anything about the test. He does not understand that. It is Greek to him.

Mr. MADISON. At the present time our pure-food law, as I recall it, provides against adulterations that are deleterious to health. Suppose we were to extend our pure-food law to the extent of providing in the case of sugars that all packages should be marked as sug-

gested by my colleague, Mr. Raker, and that the amount of sucrose should be stated and that the man who sold the sugar should advertise that fact in a conspicuous way, as some of our druggists have to do in Kansas with regard to certain articles for sale—if we had such a law as that it would protect the people, would it not, or at least each man would understand what he was getting when he made such a purchase?

Mr. BURGUIERES. I doubt very much whether any means could be devised to protect the American consumer on a low-test sugar. Those of us who pretend to know a little about sugar know very little indeed about it.

Mr. MADISON. Now, then, I want to ask you this question: It has been gone over by some others, but I want your information with regard to it. To what extent have you tried to sell these unrefined sugars, high in purity, on the American market, and what success have you had? To what extent have the people of the United States taken those sugars, and to what extent is there a growing disposition on their part to take them and use them?

Mr. BURGUIERES. The average consumer of sugar is being educated by the refiners to the exclusive use of standard granulated, and in the sale of these plantation clarifides we are always confronted with a proposition on the part of the dealer or the grocer to the effect, "Well, now, you have got to cut down. I have got to find my buyers for this sugar. They are averse to the use of the sugar, because it is not the standard granulated." Now, it has been stated that the Adeline sugar factory of the Oxnard Bros. are making a granulated upon their plantation without the use of bone black, and that sugar will sell and the consumers will take it because, to all outward appearances, those sugars are the same as the standard granulated; and I believe the Louisiana producers will have to make that sugar because, to all outward appearances, it is a standard granulated.

Mr. MADISON. Now, what is there to prevent you from making sugar of the standard of the Oxnard sugar?

Mr. BURGUIERES. Up to this time, we have not made enough money to go along and to progress as we feel we should do. We know what our objective end should be, but we have not got the money. We could get the money if we had some assurance that there would not be a disturbance of our present sugar tariff.

Mr. MADISON. Then, summing up your testimony on this point, you think that, as a matter of fact, if you had the assurance that the present tariff was going to remain then your people could get the money to put into factories similar to the Oxnard factories, to sell that sugar upon the market, and thus be permitted to build up your industry, and at the same time liberate yourselves from the American Sugar Refining Co.?

Mr. BURGUIERES. We would not have to build new factories. We would simply have to supplement our existing factories with additional equipment and also—which is a very important factor in connection with this matter—arrange for the working capital necessary to carry these sugars over a year in order to distribute them out to the consumers as they require without forcing sales, which would mean to unduly bear down the market.

Mr. MADISON. Then, we understand you to say that, as a matter of fact, it is the unstable and uncertain condition with regard to your industry——

Mr. BURGUIERES (interposing). Unquestionably.

Mr. MADISON (continuing). That very largely contributes to the domination of the American Sugar Refining Co. over you?

Mr. BURGUIERES. That, unquestionably, is the situation, sir.

Mr. MADISON. I do not think I want to ask anything further.

Mr. GARRETT. Gentlemen, are there any other questions?

Mr. FORDNEY. Mr. Chairman, I would like to ask some questions.

Mr. Burguieres, as an experienced manufacturer of raw sugar in Louisiana, speaking from a practical and thorough knowledge of the business, you have made a very strong impression upon me, and I want to assure you that no act of mine, during my lifetime, will ever even menance the industry in which you are engaged.

Mr. BURGUIERES. I am very grateful for that, sir.

Mr. FORDNEY. Mr. Burguieres, you have stated that one-half of the people of the State of Louisiana, if I am correct in my assertion, are engaged in the production of sugar. You have also stated that the boll weevil is a great menace to the cotton industry of your State.

Mr. BURGUIERES. It has reduced it 75 per cent in the last two or three years.

Mr. FORDNEY. Is it not true, sir, that the agitation of men who believe in free trade on sugar or a material reduction in the duty on sugar, are a greater menace to the people of the State of Louisiana and the sugar industry than the boll weevil is to the cotton industry?

Mr. BURGUIERES. I have never had a doubt about that, sir.

Mr. FORDNEY. I agree with you. They are worse, 10 times over, than the boll weevil.

Mr. BURGUIERES. I think 10 times would be putting it very mildly, sir.

Mr. FORDNEY. I agree with you, sir.

Mr. BURGUIERES. A million times would not be too many times.

Mr. FORDNEY. I want to ask you, for the purpose of information, not that I am defending the so-called Sugar Trust, did I not understand you yesterday to say that the sugar refinery in New Orleans belonging to the American Sugar Refining Co. has a capacity of about 12,000 barrels a day?

Mr. BURGUIERES. Twelve thousand barrels a day is supposed to be its capacity. In adition to that, they have their old plant, which is dormant, and which has been considered to have a capacity of 6,000 or 7,000 barrels.

Mr. FORDNEY. Then, if I am correct in my figures, they turn out very close to 2,000 tons of sugar per day—12,000 barrels would be close to 2,000 tons—or for a period of 300 days in operation during the year, they have a capacity of 600,000 tons of refined sugar?

Mr. BURGUIERES. I should say about that.

Mr. FORDNEY. Therefore they are naturally very jealous, of course, about any other refiner coming into their territory and buying that raw sugar and taking it away from Louisiana?

Mr. BURGUIERES. That is quite natural, sir.

Mr. FORDNEY. If I understand the matter correctly, your sugars produced here that test above 96° are in a sense a refined sugar in the market, but are not absolutely pure, granulated sugars?

Mr. BURGUIERES. They are in a sense a refined sugar, but not absolutely pure, granulated.

Mr. FORDNEY. That is all.

Mr. RAKER. Mr. Burguieres, there are a few questions I desire to ask you. Have you an original statement in regard to the amount of sugar cane shipped?

Mr. BURGUIERES. You mean in the State of Louisiana?

Mr. RAKER. Yes.

Mr. BURGUIERES. I have not all the figures, but I have here a little statement——

Mr. RAKER (interposing). I refer to the statement you had just a little while ago.

Mr. BURGUIERES. I have a statement here showing the figures for two railroads only, and those two railroads are the Southern Pacific and the Texas Pacific. I would not want to mislead the committee by giving you the impression that this was the only tonnage, because we have other railroads that move very large tonnage, the Illinois Central, the Yazoo & Mississippi Valley. We have the Louisiana Southern Railroad. We have the Frisco Railroad, and we have the Louisiana Railway & Navigation Co., and we also have the New Orleans, Fort Jackson & Grand Isle Railroad, all of them moving sugar cane.

Mr. RAKER. And this statement is for two of them?

Mr. BURGUIERES. This is only for the two railroads, the Southern Pacific Railroad and the Texas Pacific Railroad.

Mr. RAKER. I would like to have that statement put in the record.

(The statements referred to are in the words and figures following, to wit:)

MORGAN'S LOUISIANA & TEXAS RAILROAD & STEAMSHIP CO.,
LOUISIANA WESTERN RAILROAD CO.,
ACCOUNTING DEPARTMENT,
New Orleans, La., July 11, 1911.

Mr. JULES GODCHAUX,
New Orleans, La.

DEAR SIR: Referring to your oral request of even date, I beg to give you below a statement of the sugar-cane traffic handled by these lines during the seasons 1893–94, 1910–11, inclusive:

Seasons.	Carloads.	Weight in tons.	Seasons.	Carloads.	Weight in tons.
1893–94	4,425	66,276	1902–4	7,369	141,900
1894–95	7,626	114,391	1904–5	15,316	280,853
1895–96	7,338	110,064	1905–6	16,885	307,102
1896–97	4,093	76,182	1906–7	10,696	211,851
1897–98	6,851	108,477	1907–8	18,085	380,114
1898–99	12,275	185,084	1908–9	15,416	322,263
1899–1900	5,530	102,907	1909–10	19,458	369,252
1900–1901	10,906	187,900	1910–11	24,779	528,244
1901–2	13,631	251,802		214,911	3,991,042
1902–3	13,633	261,360			

Yours, truly,

T. O. EDWARDS, *Auditor.*

The Texas & Pacific Railroad hauled the following tonnage of cane from the producer to the factory in the following years: 80,000 tons in 1906, 110,000 tons in 1907, 178,000 tons in 1908, 210,000 tons in 1909, 293,000 tons in 1910.

Mr. RAKER. You say that down in the southwestern part of Texas they irrigate their cane sugar?

Mr. BURGUIERES. Yes, sir; in the southwestern part of Texas, right on the frontier, on the Rio Grande.

Mr. RAKER. And your folks in Louisiana have a little too much water—too much rain?

Mr. BURGUIERES. No; I beg to differ from you, sir. We do not get too much rain. The advantage that I have advanced which the Rio Grande country has over the Louisiana country is that the individual regulates the moisture and distributes it when he requires it. With us it comes from the heavens, and we can not pull the strings whenever we would like to. Sometimes we get a little bit too much, and sometimes a little bit too little, but during the year we get a good amount of rainfall. It is the distribution that varies the crops in Louisiana.

Mr. RAKER. How much of this land in Louisiana is sugar-cane land that is now under water or swamp land; is there any quantity of it?

Mr. BURGUIERES. You mean land that could be made to produce sugar cane?

Mr. RAKER. Yes; that could be drained.

Mr. BURGUIERES. Oh, we have some large tracts of swamp and moist lands that could be drained at a nominal cost and brought into sugar-cane lands.

Mr. RAKER. So it may go in the record, please state about the number of acres in Louisiana in that condition which would be good, productive cane land if it was reclaimed.

Mr. BURGUIERES. We have a great deal that could come in without reclamation.

Mr. RAKER. First, I want the number of acres that require reclamation.

Mr. BURGUIERES. I do not like so much to give you a figure without verifying it, but I could get up the figures, and it seems to me that that area would be at least the present area we are cultivating—I mean the lands that require reclamation.

Mr. RAKER. Will you furnish that information later?

Mr. BURGUIERES. Yes. We have also a lot of lands that do not have to be drained; that do not have to be reclaimed; that could be brought right in now.

Mr. RAKER. Will you include that in your statement?

Mr. BURGUIERES. I will get those figures up for you, sir.

Mr. RAKER. Now, suppose the tariff was taken off of the importation of refined sugar, would that not leave your people in good shape?

Mr. BURGUIERES. Pardon me, sir. I did not hear your question.

Mr. RAKER. Suppose the tariff was taken off or reduced one-half on the importation of refined sugars, would not that leave your people in a good position?

Mr. BURGUIERES. You refer only to refined sugar?

Mr. RAKER. Yes.

Mr. BURGUIERES. We do need the protection accorded to the refiners quite as much as they do in producing a finished sugar that would go to the consumer.

Mr. RAKER. That is what I was getting at. Is there any method you could devise by which you could furnish to the chairman of this

committee six samples of sugar just like you have here, of about a pound each, and seal them, so that nothing could get into them at all, and so you would know they would come just as they came from the factory?

Mr. BURGUIERES. I should be very glad to do that, sir.

Mr. RAKER. And will you also mark each one of the samples, because before we get through I am going to have Mr. Wiley, the Government expert, analyze this sugar and put the result in the record.

Mr. BURGUIERES. Would you wish the very same brands, the same sugars, from the corresponding plantations? For instance, you have there a Texas sugar and an Oaklawn sugar, and one or two other brands.

Mr. RAKER. I would prefer to have the same brands.

Mr. BURGUIERES. The reason I mention that is because it may be that several of these plantations are completely out, and it may be impossible, of this last crop, to secure even such a small quantity as a pound or two.

Mr. RAKER. Well, get as much of these kinds as you can which will correspond.

Mr. BURGUIERES. I will have them correspond as near as possible.

Mr. RAKER. Do you know who was paying for this advertisement that is being printed in Willett & Gray's magazine, that goes to the entire American public, not to use this kind of sugar?

Mr. BURGUIERES. With reference to the insect, did you say?

Mr. RAKER. It appears in Willett & Gray's journal and it says: "Use only refined sugars." It is quite a large advertisement. Have you any idea who pays for that [handing paper to witness]?

Mr. BURGUIERES. I have always been under the impression that that was an American Sugar Refining Co. advertisement. I may not be right about it, but that has been my impression always.

Mr. RAKER. We will get a chance to get at that this week, and find out.

The CHAIRMAN. Is there anything further?

Mr. RAKER. I think that is all I have.

Mr. MADISON. One very important matter in connection with the testimony of you gentlemen from Louisiana has been with regard to the American Sugar Refining Co. at certain times forcing down the price of your sugar. I asked Col. Wilkinson if it was true, as claimed by the American Sugar Refining Co. in testimony here, that the consumer got the benefit of that reduction at that time. I do not recollect your testimony in that respect, and if you have any information on it, as to whether or not the reduction which was forced upon you was passed on down to Brother Garrett and Brother Fordney and myself; if it is, we would like to know it. We have not been able to notice it.

Mr. BURGUIERES. I do not know of an instance where the American people ever got the benefit of it, sir, because the New Orleans market for refined sugar is practically the New York market. The two markets for refined sugars are practically one and the same all the time, with very slight variations.

Mr. MADISON. Then, as a matter of fact, when your raw sugar was reduced 25 points below the New York market they forgot to reduce

the refined sugar to myself and Brother Garrett and the rest of the American consuming public 25 points?

Mr. BURGUIERES. If they ever intend that you should get it, they certainly forgot it.

Mr. RAKER. Is not that one of the results of a large combination or trust in handling this kind of products? Is not that right?

Mr. BURGUIERES. It looks that way.

Mr. MADISON. I stand rebuked, because I never really thought that they intended it.

I was asked to ask you this question. The suggestion was made to me by a party interested. In cents per pound what is the advantage enjoyed by you under the present tariff law? How much benefit do you get from it?

Mr. BURGUIERES. The benefit is not what it might appear on the face of it to be. For instance, the apparent duty is 1.68½.

Mr. MADISON. For 96° sugar?

Mr. BURGUIERES. For 96° sugar. All of the Cuban sugars are gotten in at 1.34. We actually get about 1.34 protection, less the deduction which is made by the American Sugar Refining Co. to the Louisiana planter, and which has averaged about a quarter of a cent; so that if it has averaged a quarter of a cent, it would represent actually about 1.09.

Mr. MADISON. So that your testimony would be that instead of getting a protection of 1.685 per pound, or, stating it, to my mind, in a clearer way, $1.685 a hundred, in practice you only get a protection of about $1.09 per hundred?

Mr. BURGUIERES. It runs only about $1.09 per hundred.

Mr. MADISON. I understood you to state a while ago in answer to a question by my Brother Fordney that you felt that those who were agitating for a reduction of the tariff were ten thousand times greater enemies or ten thousand times more destructive of the sugar industry than the boll weevil.

Mr. BURGUIERES. If you wish to quote me exactly, you will have to say a million times, because I said a million times.

Mr. MADISON. I could not help but reflect and wonder under those circumstances whether or not you were a Democrat, a Republican, or an insurgent Republican.

Mr. BURGUIERES. I am a Democrat, sir.

Mr. MADISON. That is all.

Mr. FORDNEY. I forgot one question that I wanted to ask you, and I do not know but what you have stated it. As a manufacturer of long experience, what do you say is the average cost of production to you in Louisiana—to your farmer? It has been given by other gentlemen, but I do not know that that question was asked of you. If so, I will just pass it by.

Mr. BURGUIERES. The average cost to my firm, or the average cost in Louisiana?

Mr. FORDNEY. In Louisiana; to get it to the market.

Mr. BURGUIERES. In Louisiana the average cost is about 3¾ cents.

Mr. FORDNEY. The cost from the point of manufacture to New Orleans is about how much per 100 pounds?

Mr. BURGUIERES. It will average, from the varous plantations in Louisiana, about 10 cents a hundred.

Mr. FORDNEY. That is all. Thank you.

Mr. HINDS. Mr. Witness, you testified in the beginning of this inquiry that you had been under some duress in the sale of your sugar by reason of the domination of the Sugar Trust, did you not?

Mr. BURGUIERES. Yes.

Mr. HINDS. And apparently you are getting some amelioration through the existence of competing, or at least semicompeting, companies in New York?

Mr. BURGUIERES. Yes, sir.

Mr. HINDS. What was your condition some years ago, before those competing or semicompeting companies had grown, when the Sugar Trust, for instance, was controlling? I think they control about 42 per cent of the output of this country at the present time, do they not?

Mr. BURGUIERES. I have heard it stated from 40 to 44 per cent.

Mr. HINDS. Back in 1900 they controlled 67 per cent, and apparently before that up toward 90 per cent. What was your situation then, in those years, when they controlled so large a percentage of the output?

Mr. BURGUIERES. Our situation at what time do you mean; will you give me that again, about what year?

Mr. HINDS. In the year 1900 they controlled 67 per cent of the refined sugar output. I believe, from figures I have seen in a document, that back of that, along in '92, along there when they were first started, they controlled nearly 90 per cent, I think.

Mr. BURGUIERES. About eight years before then, sir?

Mr. HINDS. Yes.

Mr. BURGUIERES. They controlled nearly 90 per cent.

Mr. HINDS. At any rate, that was the figure. It was pretty near the whole production. What was your situation at that time, in those years?

Mr. BURGUIERES. My own practical experience, as I have stated before, only dates back to about 1894.

Mr. HINDS. That would be a good year.

Mr. BURGUIERES. And about that time, as an average, as I remember, the Louisiana planters received about a quarter of a cent under the New York market for their raws.

Mr. HINDS. A quarter of a cent?

Mr. BURGUIERES. Yes; about that. There were certain variations. It was sometimes more and sometimes less, but I think it averaged about a quarter of a cent.

Mr. HINDS. That would be about the freight rate, would it?

Mr. BURGUIERES. That would be about what they considered the freight rate on broken packages, on small lots, to New York.

Mr. HINDS. It would be a high freight rate?

Mr. BUGUIERES. That would be the highest freight rate.

Mr. HINDS. The highest freight rate; and yet they did not carry the sugar to New York? The sugars were refined right there in New Orleans?

Mr. BURGUIERES. They were refined right there in New Orleans.

Mr. HINDS. So that you think that the loosening of the grip of the American Sugar Refining Co. on the American production has materially ameliorated your situation, do you?

Mr. BURGUIERES. I think so, sir; decidedly.

Mr. HINDS. Would the reduction of the tariff, possibly a slight amount, do you think, tend to at all further shake the grip of the American Sugar Refining Co.?

Mr. BURGUIERES. Pardon me, sir?

Mr. HINDS. I say would the reduction of the tariff, say by a slight amount, say as much as the Wilson bill reduced it, which I think was about sixty-eight hundredths of a cent below what it is now—that is what they reduced it, did they not? The Wilson tariff figured out about 1 cent a pound on raw sugar?

Mr. BURGUIERES. Yes.

Mr. HINDS. Do you think that putting the tariff down, say, to that figure would shake still further the power of the Sugar Trust?

Mr. BURGUIERES. Would do it?

Mr. HINDS. Would shake still further the monopolistic power of the Sugar Trust—reduce that power?

Mr. BURGUIERES. No, sir; no, sir. It is my opinion that you can not reach the Sugar Trust through any reductions in existing tariffs.

Mr. HINDS. Will you not work that out a little for us? Tell us what the first effect on the Sugar Trust would be—on their business—by such a reduction?

Mr. BURGUIERES. The first effect of any reduction in the existing sugar tariff would mean the destruction of the Louisiana sugar producers. I can not speak for the beet producers, because I know nothing about their costs, except from hearsay.

Mr. HINDS. What would be the working of that destruction? The Sugar Trust would buy their sugar in Cuba, for instance?

Mr. BURGUIERES. The Sugar Trust would then get its supply of raw sugars from the Tropics and from Europe, as they have been doing, but it would eliminate all competition. The only actual competition that the Sugar Trust has to-day is the competition that they are receiving from the beet producers and the cane producers to the little extent that they do place some of their sugars. When I say cane producers, I mean Louisiana cane producers.

When I say cane producers, I mean Louisiana cane producers.

Mr. MADISON. And the Federal and Arbuckles?

Mr. BURGUIERES. I do not consider them any material competition.

Mr. MADISON. They have to go into the market for their sugars also? The Federal Sugar Co. and all other refining companies have to go into the market, the same market, for the same kind of sugar that the American Sugar Refining Co. have, and they would get their sugars in the same way?

Mr. BURGUIERES. Indeed, indeed. The so-called independent refineries would draw their supplies in just the same manner as the American Sugar Refining Co. did.

Mr. HINDS. In the years 1894, 1895, and 1896 I believe that lower rate of the Wilson bill, at a cent a pound, existed?

Mr. BURGUIERES. It did, sir.

Mr. HINDS. Did you notice that that helped your situation any, so far as dealing with the trust was concerned?

Mr. BURGUIERES. My dear sir, we have always been entirely in the hands of the American Sugar Refining Co., but we occupied a more adverse position then than ever before, naturally.

Mr. HINDS. Than ever before or since, you think?

Mr. BURGUIERES. Yes.

Mr. HINDS. You think there is not great competition between the Sugar Trust and the Federal Sugar Refining Co. and the Arbuckles?

Mr. BURGUIERES. I think perhaps the only refinery that attempts to annoy the American Refining Co. a little bit is the Federal Sugar Refining Co.

Mr. HINDS. The Federal Sugar Refining Co.; yes. Now, in what way do they annoy the Sugar Trust?

Mr. BURGUIERES. At times they try to undersell the Sugar Trust at certain points where the Sugar Trust feel that they should be placing their output.

Mr. HINDS. Take the great general conditions of the sugar business. They affect the Sugar Trust and the Federal Sugar Refining Co. alike, do they?

Mr. BURGUIERES. They affect all the sugar refineries alike.

Mr. HINDS. They affect all the cane-sugar refineries alike?

Mr. BURGUIERES. All the cane-sugar refineries alike, sir.

Mr. HINDS. Yes. The Sugar Trust is a little different from the other refineries, is it not, in that it has an interest in the beet-sugar factories?

Mr. BURGUIERES. It has some interest in the beet-sugar factories, I understand.

Mr. HINDS. From what you have seen of that interest, do you think it is sufficient to disassociate it from the general interest of all the cane-sugar refineries?

Mr. BURGUIERES. It was my hope that their interest was sufficiently large so that they would be interested in the welfare of the beet producers. I do not know whether it is or not.

Mr. HINDS. Two years ago, in the hearings on the Payne bill, I noticed that the Sugar Trust was in favor of the retention of the duty. The testimony here has shown that Mr. Havemeyer was at that time personally interested in beet-sugar factories and also the trust was considerably interested in them. In the later hearings the trust seems to be in favor of the reduction of the duty. Can you give any explanation of that apparent change of front?

Mr. BURGUIERES. I really could not understand it, unless they have disposed of their interests in the beet production.

Mr. HINDS. I think Mr. Atkins so testified that they were trying to dispose of them gradually. But have you seen anything in the conduct of their business or anything of that kind, which would indicate that they are ceasing to take an interest in beet sugar and becoming more identified with the interests of the cane refiners?

Mr. BURGUIERES. I have not, sir.

Mr. HINDS. If it is true, as there have been indications, that the Sugar Trust is paying now almost exclusive attention to cane refiners, and if the interests of all these cane refiners are identical, do you think there is danger that they may coalesce in another trust?

Mr. BURGUIERES. That they may do which?

Mr. HINDS. Coalesce in another trust—that is, a larger trust?

Mr. BURGUIERES. That has always been a fear with me, sir.

Mr. HINDS. It has?

Mr. BURGUIERES. Yes.

Mr. HINDS. If they should do that, your situation would be very troublesome, would it?

Mr. BURGUIERES. It would be, to my mind, more than troublesome; it would be hopeless.

Mr. HINDS. It would be hopeless. Would it be a situation where there would be much relief for you in lower duties on sugar?

Mr. BURGUIERES. Lower duties under those conditions, or any other conditions, would mean the annihilation, the disruption, of the cane-sugar industry of Louisiana.

Mr. HINDS. So that if there is to be any relief for you against a coalition of the cane refineries, it must be in some other direction than by a reduction of the existing tariff?

Mr. BURGUIERES. Yes, sir.

Mr. HINDS. Have you ever thought in what direction that would be?

Mr. BURGUIERES. I have always thought that if the American Sugar Refining Co. did anything that was illegal, the redress of this country would be through the courts and not through the tariff.

Mr. HINDS. There is nothing illegal about a great trust, is there, so long as they keep within the rebate law and the suppressing of competition through nefarious schemes?

Mr. BURGUIERES. As long as——

Mr. HINDS. Maybe I ought not to ask you anything on that subject.

Mr. MADISON. That may be widening the term, like "undue restraint," to call it "nefarious."

Mr. HINDS. What I was trying to get at was this——

Mr. MADISON. I understood it exactly, and the witness did, too.

Mr. HINDS. I wanted some suggestion from you as to how such a combination in the future might be prevented. If you will notice this testimony, we have discovered, I think, in every case where a factory went into the trust, that the real thing that brought it in was not a desire to avoid competition, but a desire to get a tremendous bonus in what is called watered stock. For instance, the refinery at Philadelphia, which was worth from three and a half to five millions, went in for ten millions of stock, and the owners sold that out immediately at about 80, so that they got about $8,000,000 where they had had about $3,500,000 or $5,000,000. Is it your business judgment that if the Federal Government could in some way prevent those excessive waterings of stock it might prevent those amalgamations in future?

Mr. BURGUIERES. It is decidedly my opinion, sir, that that is about the only way to do it; to create such laws as would regulate the organization, the formation, the capitalization, and in that way to get around the opportunities for watering of stocks of corporations, whether of sugar or otherwise.

Mr. HINDS. Do you suppose that could be done without its being very vexatious to the small corporations and the general run? Have you ever thought that out at all?

Mr. BURGUIERES. I have not given the matter very serious thought, but it seems to me it is a poor rule that does not work both ways, or every way.

Mr. HINDS. It is a subject of considerable interest to you, is it not, to you and your industry, that there shall not be future amalgamations unless good business reasons, further than greed, shall dictate them?

Mr. BURGUIERES. Decidedly so; decidedly so; because every corporation wants and has a right to operate the business so that a fair and reasonable earning is made for its stockholders. But if that earning is to be predicated upon a concern with a capital very much in excess of the actual investments, the earnings, whereas they might appear to be reasonable, in fact are most unreasonable.

Mr. HINDS. So that these great capitalizations are the incentive to just those acts that you complain of?

Mr. BURGUIERES. It strikes me so, sir.

Mr. HINDS. I do not know that there is anything else.

Mr. RAKER. There is one question that I overlooked. You are a subscriber to Willett & Gray's Journal, are you not?

Mr. BURGUIERES. Yes.

Mr. RAKER. How long have you been such subscriber?

Mr. BURGUIERES. As long as I have been in the business.

Mr. RAKER. Do you know whether this advertisement, that I have been calling your attention to, has been running along all these years in this journal, "Do not use any sugar except refined sugar"?

Mr. BURGUIERES. As far back as I remember Willett & Gray, I remember that advertisement.

Mr. RAKER. I see. That is all.

Mr. GARRETT. In a circular sent out by Mr. Lowry as secretary and treasurer of what was called a committee of wholesale grocers, a statement was made about which he was questioned, I think, and about which Col. Wilkinson was asked a question or two, that I think perhaps it would be fair to ask you a question about. The statement is:

> In Louisiana the planters nearly always sell to the Sugar Trust at very much under the prevailing quotations for raw sugar in New York, and in 1907 these planters were selling their raw sugar to the trust (and refused to treat with the independent refiners) at nearly 1 cent a pound under the parity of the raw-sugar markets of the world.

Col. Wilkinson was asked about that expression, "and refused to treat with independent refiners," and he stated that it was absolutely false. I thought at the time perhaps Col. Wilkinson may not have understood that question fully, because, as I understand you, as a matter of fact, in 1907, at the time you made this trade, there were a large number of cane-sugar growers there that did refuse to treat with the Federal Sugar Refining Co., and did refuse to sell to it.

Mr. BURGUIERES. I think that Col. Wilkinson, who is very deaf, did not catch the question, and consequently was not in a position to answer it. I have stated before that Louisiana sugar planters, I suppose, were afraid to treat with the Federal Sugar Refining Co. and to sell to them.

Mr. GARRETT. And as a matter of fact this statement of Mr. Lowry's that they did refuse to do that did have that basis of fact in that experience there of yours?

Mr. BURGUIERES. Yes.

Mr. GARRETT. And of the Federal Sugar Refining Co.; that statement did have that basis of fact?

Mr. BURGUIERES. Yes; but of course he did not assign the reasons for it.

Mr. GARRETT. I did have a question or two to ask touching the tariff matter, but I am not going to ask them. We want to get through, if possible, and I will not ask them.

The CHAIRMAN. Do you know how much sugar capital out of Louisiana has gone to Cuba, Porto Rico, and Mexico since 1903?

Mr. BURGUIERES. Pardon me; I did not hear that.

The CHAIRMAN. Do you know how many sugar people, or how much sugar capital, has gone out of Louisiana to Cuba, Porto Rico, and Mexico since the year 1903?

Mr. BURGUIERES. I do not know of any Louisiana capital having gone into Porto Rico.

The CHAIRMAN. Any to Cuba?

Mr. BURGUIERES. To Cuba? I do not know of any there.

The CHAIRMAN. To Mexico?

Mr. BURGUIERES. To Mexico; I know one sugar mill that was moved up there, and I think that was the result—in fact I know that that was the result—of the very low prices that ruled at the time of the Wilson bill, in 1894, 1895, and 1896.

The CHAIRMAN. I asked you, in my question, since the year 1903.

Mr. BURGUIERES. Pardon me.

The CHAIRMAN. The date I fixed was 1903.

Mr. BURGUIERES. In 1903?

The CHAIRMAN. Since 1903.

Mr. BURGUIERES. The one factory I have in mind might have been moved there in 1903. There was a Mr. E. V. Weems who had a factory, and he moved his factory up there because of the lack of profit in Louisiana.

The CHAIRMAN. That was the reason that he moved it?

Mr. BURGUIERES. Lack of profit in Louisiana.

The CHAIRMAN. Why; because the Mexican country was better suited—the Mexican soil and climate— for the culture of sugar cane?

Mr. BURGUIERES. Well, he at that time was looking into the matter of transferring this factory into Porto Rico, had about arranged to, when Porto Rican sugars were coming in free, to get this factory there, and something came up and the parties who had the lands and who were going to furnish him the cane went back upon their proposition to him, and he had already gone so far with his factory that he had to move it somewhere and he moved it down to Mexico, feeling that he would do better.

The CHAIRMAN. Why did he feel that he would do better in Mexico?

Mr. BURGUIERES. He is a Virginian.

The CHAIRMAN. Why did he feel that he would do better in Mexico?

Mr. BURGUIERES. Now, his reasons for that I could not give, sir.

The CHAIRMAN. Is there any drift that way now?

Mr. BURGUIERES. There is no drift that way now.

The CHAIRMAN. If the tariff was materially lowered it might drift that way?

Mr. BURGUIERES. Drift which way?

The CHAIRMAN. Well, towards the Tropics.

Mr. BURGUIERES. If the tariff was lowered, the business would be done, and the sugar man who could scrape up a little money might go down somewhere in the Tropics.

Mr. RAKER. Just one question. At the time you sold this sugar to the Federal Sugar Refining Co., how much under the New York price did the Federal pay, in 1907?

Mr. BURGUIERES. How much under the New York price?

Mr. RAKER. Yes.

Mr. BURGUIERES. They were almost as much under the New York price as the American Sugar Refining Co. They only paid one thirty-second.

The CHAIRMAN. One thirty-second over the American; they paid that much difference over the American's price?

Mr. BURGUIERES. Yes.

The CHAIRMAN. The committee will excuse you, Mr. Burguieres, with thanks for your attendance and your prompt and courteous response to questions.

Senator THORNTON. Mr. Chairman, if you will pardon me, I wish to say that Dr. Stubbs, who will be our next witness, was the director of the experiment station in Louisiana, in charge of the sugar experiment station, and he was the chief chemist of Louisiana, and he is thoroughly qualified to speak on all these questions. He voluntarily resigned his position under the State.

Mr. MADISON. Mr. Chairman, I understand that arrangements have been made for us to leave here at 4 o'clock and go to New York. I think that we are all impressed with the idea that the examinations of the chairman have been pretty full, and the examinations by others have been only, necessarily, cross-examinations, and have been along the line of amplification. Necessarily, we have repeated. Men can not cross-examine in that way without more or less repetition. In order that we may get the substance of Dr. Stubbs's testimony, and get it clearly and concisely, and that we may get away, I am going to move that the examination of this witness be made by the chairman, with such suggestions as may be handed to him or whispered to him from the members who may want to go into certain lines.

The CHAIRMAN. Gentlemen, you hear the motion. I will not do that if anybody objects to it at all. The request is that the examination in this case be conducted by the chairman, or such member as he may designate for that purpose, alone.

Mr. MADISON. I made the suggestion that it be by the chairman, not that I would keep out anybody, but that I think under the circumstances that is the better thing to do. I want everybody to speak freely. I am doing it for the purpose of saving time, and in order that we may get away on that 4 o'clock train, and in order that we may know now that we can get away.

The CHAIRMAN. If there is no objection, we will proceed in that way.

TESTIMONY OF MR. WILLIAM C. STUBBS, 701 HOWARD AVENUE, NEW ORLEANS, LA.

(The witness was sworn by the chairman.)

The CHAIRMAN. Professor, what is your present occupation?

Mr. STUBBS. I can hardly answer you, sir. I am attending to my own private business, and that is scattered.

The CHAIRMAN. Are you in the sugar business?

Mr. STUBBS. I have a little interest in it.

The CHAIRMAN. As a planter?

Mr. STUBBS. As a stockholder in a planting company.

The CHAIRMAN. As a stockholder in a planting company?

Mr. STUBBS. Yes.

The CHAIRMAN. Did you ever have any official position that gave you any connection with the sugar industry in Louisiana?

Mr. STUBBS. In 1885 the Sugar Planters' Association, of which you have heard from Mr. Dymond, organized an association called the Louisiana Scientific and Agricultural Association, subscribing $60,000 for five years, and called me from Alabama to take charge of it to create a sugar experiment station. Since that time, up to a year or two ago, I have been in charge of that, making experiments along the line of agricultural, chemical, mechanical, and sugarhouse experiments. We have had experiments in the field, we have had extensive laboratories, we have had a sugarhouse upon a miniature scale, complete, and during that time we have made experiments in every direction along the lines of sugar culture, the culture of sugar cane, and its manufacture.

The CHAIRMAN. Was one of the objects of that association to regulate the price that the producer should get?

Mr. STUBBS. Never had a thing to do with the commercial side. It was only to develop the agricultural and mechanical and factory side of sugar cane.

The CHAIRMAN. The Senator from Louisiana, Mr. Thornton, referred just now to the fact that you had once been State chemist in Louisiana.

Mr. STUBBS. Yes; besides being director of that work. I would like to explain, though. After coming to Louisiana, as I stated, to take charge of the experiment station, I was made professor of agriculture in the Louisiana State University, and State chemist and State geologist. I held a large number of offices, with thirty-odd men under me, conducting all these experiments.

The CHAIRMAN. Where did you go there from?

Mr. STUBBS. From Alabama, and I went to Alabama from Virginia. I am a native of Virginia.

The CHAIRMAN. Can you tell us what it costs to produce a ton of sugar cane?

Mr. STUBBS. That varies so enormously, according to the lands, the character of the soil, because you must recollect that in Louisiana we have every character of soil, from the stiffest clay down to the sandy lands that we cultivate in sugar.

The CHAIRMAN. Before you answer that question, one other question: Is Louisiana as well adapted—the climate and soil and natural conditions—to the cultivation of sugar cane as other more tropical countries, such as Cuba and Mexico and the West Indian Islands?

Mr. STUBBS. Every sugar country on the globe has its own peculiar objections and peculiar recommendations.

The CHAIRMAN. You mean that is true as to the cultivation of sugar, particularly?

Mr. STUBBS. I mean that is true as to the production of sugar cane all over the world. I am thoroughly familiar with the culture of sugar cane all over the world.

The CHAIRMAN. That is the reason that I want you to answer the question, if it is true that in Louisiana the industry is hothoused to some extent?

Mr. STUBBS. I will answer that by giving you the recommendations of Louisiana and then the objections.

From a soil standpoint, Louisiana can not be beat. The alluvial section of Louisiana is nothing but the washings of all the great States above, which have been brought down by the water and deposited there, and it is therefore very rich. From Mr. Burguieres's testimony, just now we have an ample rainfall, and fairly well distributed for our sugar results. The sugar cane is restricted with us, on account of climatic conditions, to an annual yield. We plant every year and harvest every year. In the tropical countries there are very few of them that harvest in less than two years. They rarely get a crop every year. To that extent we have the advantage. Our colds during the winter prevent us from carrying cane through the winter and harvesting it the second year.

Our rainfalls are so distributed that a large amount falls during June, July, and August, and therefore they give us an immense growth during that time, and the sugar cane is nothing but vegetable growth. It does not fructify and does not go to seed like corn, and we are making the plant, the stalk; and therefore to that extent Louisiana enjoys a very great advantage, to the extent of its being a hothouse plant, due exclusively to our winters, which would kill the crop if we left it for the second year.

The CHAIRMAN. You have to plant more often than they do in Cuba and other tropical countries?

Mr. STUBBS. I would like to answer that by explaining to you gentlemen one fact that you seem to have asked of all the witnesses. To-day the country that stubbles the longest is the poorest sugar-cane country in the world.

The CHAIRMAN. It produces cheaper, does it not?

Mr. STUBBS. No, sir; on the contrary, the Hawaiian Islands, as long as they have had an unlimited amount of Chinese labor, did nothing but plant every year. Java plants every year now. In Java they have a rotation of five years—one year in sugar cane. That is by law. That country that stubbles the longest makes the lowest yield in the aggregate of sugar.

In Louisiana we plant every two years. We carry the stubbles into the second, and occasionally into the third year. But you take a country that stubbles 15 or 20 years, as some of them tell you, and the yield per acre from that land is very low. In Hawaii it is nothing unusual to get 100 tons of cane to the acre on fertile land, harvested once a year. In Cuba and Mexico, where they stubble for a number of years, the crop will fall as low as 10 or 20 tons. Therefore, to plow up and plant over is now regarded as the policy in all sugar countries.

The CHAIRMAN. Professor, would you say, then, that the natural conditions are as favorable to the cultivation of cane in Louisiana as in other countries?

Mr. STUBBS. No, sir; Cuba and the Hawaiian Islands have an advantage over all the world in the cultivation of cane.

The CHAIRMAN. In the cultivation of cane?

Mr. STUBBS. Yes.

The CHAIRMAN. Is that the reason why, according to the view of the people engaged in the production of sugar, a duty is necessary?

Mr. STUBBS. One of the reasons. There are other reasons.

The CHAIRMAN. Outline them.

Mr. STUBBS. I will do it in a moment. You take a sugar plantation in Louisiana, and the first thing that we do is to encounter the high price of labor. Across the Rio Grande you find labor on the Mexican side 50 cents a day, while on the American side it is $1 a day. Likewise every implement we buy is protected enormously. We use a great deal of machinery. The machines that we use to cut our pea vines and to cut our alfalfa are worth £5 in London, and we pay $45 for them in New Orleans.

When we go into the sugarhouse, every single piece of apparatus we use is patented, and that means an extra expense; and then it is protected to a large extent in its manufacture. With these protected implements and with the other difficulties that we encounter, every one that goes into the cultivation and production of sugar cane agrees that we can not grow it without protection, even though we were as favorably situated as Cuba and Hawaii.

The CHAIRMAN. Yes.

Mr. STUBBS. Under American conditions, we can not do it. American conditions require that we, when we buy in protected markets, should also have protection.

The CHAIRMAN. The Hawaiian buys in a protected market?

Mr. STUBBS. Yes.

The CHAIRMAN. The Cuban tariff is pretty high, a protective tariff?

Mr. STUBBS. I do not know about that.

The CHAIRMAN. You ought to know.

Mr. STUBBS. The Cuban tariff is like ours. It changes, and I would have to study it.

The CHAIRMAN. One reason you gave is that our tariff is higher?

Mr. STUBBS. Yes.

The CHAIRMAN. The Hawaiian pays the same as the Louisianian?

Mr. STUBBS. Yes.

The CHAIRMAN. Do you know what the tariff is of the Cuban?

Mr. STUBBS. Not on the things I have mentioned.

The CHAIRMAN. Do you know it on anything?

Mr. STUBBS. Yes.

The CHAIRMAN. On what?

Mr. STUBBS. For instance, I think the Cuban tariff is much lower than ours; I think about 20 or 21 per cent was the aggregate of the Cuban tariff, and ours is higher than that.

The CHAIRMAN. If the Cuban pays anything like as high as we do, then, relatively, he suffers as much as we do on all these things?

Mr. STUBBS. Yes.

The CHAIRMAN. So that the correctness of your opinion would depend on the comparison of the Cuban and American tariffs, would it not?

Mr. STUBBS. To that extent?

The CHAIRMAN. We will not bother you about that. We can make that comparison.

Mr. STUBBS. Yes.

The CHAIRMAN. Is sugar production in the Philippines increasing or diminishing?

Mr. STUBBS. I have not been to the Philippines.

The CHAIRMAN. I thought you had information about it.

Mr. STUBBS. I have just read the full report on the Island of Negros, which is the greatest island in the Philippines for sugar cultivation. It is yet in its infancy, to a large extent.

The CHAIRMAN. It is increasing?

Mr. STUBBS. It is increasing wherever there is capital enough to develop it.

The CHAIRMAN. It is increasing rather than diminishing, you say?

Mr. STUBBS. I would say, right now; but it has diminished since I went to Louisiana. When I went to Louisiana I think the Philippines was next to Cuba.

The CHAIRMAN. Next to Cuba?

Mr. STUBBS. Yes; now it is down very low.

The CHAIRMAN. It diminished for a while?

Mr. STUBBS. Yes; it has diminished.

The CHAIRMAN. Why did it diminish?

Mr. STUBBS. It diminished, I suppose, because of the price of sugar all over the world.

The CHAIRMAN. The world price of sugar?

Mr. STUBBS. I imagine so.

The CHAIRMAN. What caused it to increase?

Mr. STUBBS. Simply because it is admitted free into the United States. It has the benefit of the American tariff.

The CHAIRMAN. Exactly.

Mr. STUBBS. Yes.

The CHAIRMAN. Since we gave it this free entry to a certain extent into this country, that has encouraged the production of it in the Philippines?

Mr. STUBBS. Of course; yes, sir.

The CHAIRMAN. And if it was given free entry entirely, it would increase very much more, would it not?

Mr. STUBBS. Yes; and, I am afraid, to our detriment.

The CHAIRMAN. You mean to the detriment of Louisiana?

Mr. STUBBS. Yes.

The CHAIRMAN. And it would not help the consumers?

Mr. STUBBS. Yes.

The CHAIRMAN. Because they would be behind the tariff wall and they would take the same advantage that the producer in the United States does?

Mr. STUBBS. But they would have one thing to encounter, just as we have, and that is the trust that you are investigating. They do not make refined sugar in the Philippines.

The CHAIRMAN. Yes; they would have to sell their raw sugars to the trust?

Mr. STUBBS. Yes.

The CHAIRMAN. And have the same disadvantage in that way that you have?

Mr. STUBBS. Yes.

The CHAIRMAN. Getting right down to that for a moment and leaving the tariff question, if we were to reduce the tariff on sugar to a revenue basis—suppose we were to reduce the duties of this Government to a revenue basis on all this machinery and this stuff you have to purchase—could not sugar stand the same reduction?

Mr. STUBBS. If we were starting afresh with our factories, we might; but Mr. Burguieres and several others have got a million dollars, for instance, invested in their factories—that has cost them a million dollars absolutely.

The CHAIRMAN. Is not that true that every man who is interested in any kind of manufacture in this country has money invested in it, and are we to be bound because people have invested money?

Mr. STUBBS. I was saying that if we were starting afresh in the industry, it would be an immense benefit to us, because if you reduced, as you say, everything would cost us not more than one-half what it has cost us now and what it is going to cost. I am simply answering your question. I am not answering as to the other factories in the country. From the lowest calculations I have made the value of our sugarhouses alone on sugar plantations is something like two hundred and twenty-five or two hundred and fifty millions of dollars, and you would wipe out one-half of their value if you were to do that.

The CHAIRMAN. Why?

Mr. STUBBS. Because a sugarhouse that cost to-day $500,000 could be rebuilt then for $250,000, and would have no higher value.

The CHAIRMAN. Leaving out, for a moment, the question of vested rights, and vested wrongs, too, if you please——

Mr. STUBBS. Yes.

The CHAIRMAN. Wiping that entirely out of your mind for the moment, and looking at it from the standpoint of whether the industry, if it was starting anew, could maintain itself; if everything else was reduced to the same tariff-revenue basis, could sugar stand it too?

Mr. STUBBS. To a revenue basis?

The CHAIRMAN. Yes.

Mr. STUBBS. I think if you were to put it on a sufficiently high revenue; but you must let me know what your revenue means.

The CHAIRMAN. Suppose we cut it in half?

Mr. STUBBS. What do you mean by cutting it in half? You have now a specific duty.

The CHAIRMAN. We will say that the Cuban duty is 1.34. Could you get along in Louisiana with that?

Mr. STUBBS. No, sir.

The CHAIRMAN. Why not?

Mr. STUBBS. For the best reason in the world. The largest element that enters into our cost of production is labor. American labor is paid from $1.25 to $2 a day, and we could not, under those conditions, make sugar cane, even though you cut it down only one-half.

The CHAIRMAN. Have you ever compared the prices paid for labor in the factories in Cuba and in Louisiana?

Mr. STUBBS. The expert labor is employed only for 60 or 90 days. The field labor in making the cane is the largest element.

The CHAIRMAN. That is the largest element?

Mr. STUBBS. It is, for this reason: We pay, as the testimony has already brought out, $3.50 to the planter for the cane, and we rarely get more than 25 per cent out of that—the total product of the factory out of the total product of the sale of the cane.

The CHAIRMAN. Do you know what sugar costs in Cuba?

Mr. STUBBS. Yes; I have seen a statement.

The CHAIRMAN. Give it to us.

Mr. STUBBS. No, sir; I have not the figures. But do not forget this, that Cuba is the Gem of the Antilles, a country that has been worshipped for centuries by the Spaniards as the sugar bowl of the world, and there are conditions there such as you find existing in very few instances elsewhere on earth. It is an island as large as Louisiana.

The CHAIRMAN. Have you compared the prices paid for farm labor in the production of sugar cane in Cuba with those paid for the same labor in Louisiana, for instance?

Mr. STUBBS. The Cuban conditions are very different from ours.

The CHAIRMAN. Just answer my question.

Mr. STUBBS. I say they can not be compared.

The CHAIRMAN. Why can they not?

Mr. STUBBS. For this reason—you have just mentioned it a while ago: A man plants his crop in Cuba and he is satisfied at the present time to let it stubble 15 or 20 years; and after planting it in all subsequent years he simply goes and chops the weeds out of it and lets the cane grow. I do not object to saying to your committee that there is nowhere in the world that they cultivate better than in Louisiana fields, but it is costly to do it.

The CHAIRMAN. And you have to do it on account of the climate and the soil?

Mr. STUBBS. We have to do it to get a crop in 12 months.

The CHAIRMAN. In Cuba they do not have to do it?

Mr. STUBBS. But their yields in Cuba and other lands are nothing like as valuable as ours.

The CHAIRMAN. American methods have not been applied, until lately, to Cuba?

Mr. STUBBS. Except in the factories. They are up to date.

The CHAIRMAN. American methods have never been applied until lately, but they are now being applied on the farms?

Mr. STUBBS. Very little.

The CHAIRMAN. Do you think the time will ever come when the American sugar industry can stand on its feet without the aid of a tariff?

Mr. STUBBS. You are too hard for me, Mr. Hardwick.

The CHAIRMAN. Well, give me your opinion.

Mr. STUBBS. I would say, just now there is no chance of it.

The CHAIRMAN. In other words, if we continue the growing and production of sugar in this country indefinitely, the consumers have indefinitely got to pay the bill?

Mr. STUBBS. No; not the consumers. You have just alluded to a tariff on a revenue basis, just now, and you must not forget another point, and that is that the Louisiana sugar industry is capable of almost indefinite expansion. We have at least 10,000,000 acres of rich alluvial land that could easily go into sugar, provided we could induce capital to come there and cultivate it.

The CHAIRMAN. Yes.

Mr. STUBBS. I want to say there, Mr. Hardwick—you are from Georgia?

The CHAIRMAN. Yes.

Mr. STUBBS. I took a trip two years ago from Savannah around to Dothan, Ala., and spent several weeks on the plantations of my

friends, at the request of the president of the Board of Trade of Savannah. I found that your State was making 300,000 barrels of sirup and was competing with Louisiana; and your State could be developed into a great sugar State if they could get the proper encouragement there and get money enough to build factories along that coast. I was hardly out of sight of a cane field from Savannah around to Dothan. Georgia sirup has become a staple with us.

The CHAIRMAN. Georgia could not become a great sugar State without the aid of a duty that every consumer in the United States would have to pay.

Mr. STUBBS. Mr. Hardwick, the Government has got to be supported. Why not put a tariff for revenue on it?

The CHAIRMAN. If you want me to tell you why—because it is one of the greatest necessities of life.

Mr. STUBBS. Since when?

The CHAIRMAN. Since when?

Mr. STUBBS. Yes.

The CHAIRMAN. I do not want to argue it with you, but do you not regard it as one of the necessities of life?

Mr. STUBBS. People have lived without it.

The CHAIRMAN. Do you not regard it as one of the necessities?

Mr. STUBBS. Why say anything about sugar as being a necessity for the public when it is to-day lower than anything that goes on our table?

The CHAIRMAN. Have you compared the American price with the world's price?

Mr. STUBBS. Yes; I have studied it very thoroughly.

The CHAIRMAN. Let us go into that a moment. The price in America, taking the New York market, is double, one year after another, what the price of granulated is at Hamburg?

Mr. STUBBS. I am not talking about the export price. Your export price in New York is only 3⅜.

The CHAIRMAN. That is on account of the drawback.

Mr. STUBBS. You get it all back except 1 per cent.

The CHAIRMAN. Yes; of course. They do not get a drawback in Hamburg.

Mr. STUBBS. Of course; it is internal revenue.

The CHAIRMAN. If it is not sold for domestic consumption it does not pay the internal-revenue tax.

Mr. STUBBS. I mean by that to compare the consumption not alone with the consumption of America——

The CHAIRMAN. I am leaving out all tariffs now and taking the world's price, and that is the price at which any man, in Georgia or anywhere else, can go to London and Hamburg and buy sugar on the open market.

Mr. STUBBS. No, sir; you can not do that at Hamburg.

The CHAIRMAN. I do not agree to that statement.

Mr. STUBBS. The only country that has sugar a little cheaper for consumption——

The CHAIRMAN. I am not speaking of that. You are not answering the questions that I ask. Please answer me.

Mr. STUBBS. Yes; I will answer you.

The CHAIRMAN. I am speaking of the export price at Hamburg or London; not what the German purchaser pays for it or what the

English consumer pays in London by the time it gets to him through all the channels of production and sale, but the price at which it can be bought in the open market.

Mr. STUBBS. I can be in Hamburg and send to the United States and buy sugar, and I would get it at 3⅞ to-day.

The CHAIRMAN. You would get it, in other words. with the tariff off?

Mr. STUBBS. Or I would get it in Hamburg with the internal revenue duty off.

The CHAIRMAN. Yes.

Mr. STUBBS. It is the same thing to the consumer. The consumer pays for it in Holland just as he does in America.

The CHAIRMAN. The policy of the Government there is to put a tax on it.

Mr. STUBBS. Yes, sir; just as the policy of our Government is.

The CHAIRMAN. Yes; I understand, but I think we will reverse that policy before very much longer. Now, I want to ask you this, and it is no use to dodge it. I want you to answer my question.

Mr. STUBBS. I will answer you if I can.

The CHAIRMAN. Do you know what the Hamburg export prices are?

Mr. STUBBS. We have already given them to you.

The CHAIRMAN. We have got them in the record. Do you not know they are less than one-half what the New York price is?

Mr. STUBBS. For export?

The CHAIRMAN. No.

Mr. STUBBS. Yes; but you can not get it in Hamburg except for export.

The CHAIRMAN. Yes; but if he did not have that duty to pay——

Mr. STUBBS. If Hamburg did not have the internal revenue?

The CHAIRMAN. I do not think you are trying to answer the question.

Mr. STUBBS. Mr. Hardwick, I can not allow you to make me say something that I know is not right.

The CHAIRMAN. I am not trying to make you say what is not right.

Mr. STUBBS. Yes; but it would make me say what I know is not so if you were to make me say we can get sugar for a less price in Hamburg——

The CHAIRMAN. We can not get along at all unless you answer my questions.

Mr. STUBBS. I will answer any question you will ask me.

The CHAIRMAN. What is the export price in Hamburg?

Mr. STUBBS. I do not know.

The CHAIRMAN. Is it not about half the price in New York; not the export price, but raw sugar, 96-test sugar?

Mr. STUBBS. Now, you are trying to make me answer that question——

The CHAIRMAN. If you do not know, you can say no.

Mr. STUBBS. I do know, sir. I know exactly how I want to answer it, and I know what you want me to answer; but I can not answer it with an honest intention the way you want me to answer.

The CHAIRMAN. Can you tell me if the export price at Hamburg is about half the price of raw sugar at New York or not?

Mr. STUBBS. Without duty?

The CHAIRMAN. I mean with the duty added. What is the price to the man who goes out to buy 96-test sugar in New York? You know what I mean.

Mr. STUBBS. I do know what you mean.

The CHAIRMAN. I am trying to get you to admit the fact.

Mr. STUBBS. You are trying to get me to say that the people of America pay twice as much as the people of Holland.

The CHAIRMAN. No, I am not.

Mr. STUBBS. That would be the result of the answer to your question; but I do say that the export price——

The CHAIRMAN. Mr. Witness!

Mr. STUBBS (continuing). In New York is a little greater than the price in Hamburg.

The CHAIRMAN. Now, you answer this question, yes or no. Is not the price that any buyer who buys 96° refined sugar in New York pays at least double what the export price of that sugar is in the world market at Hamburg and at London, or not?

Mr. STUBBS. Mr. Hardwick, I want to answer your question properly, but I do not want to go in the record——

The CHAIRMAN. Is that true or not?

Mr. STUBBS. It is true, if you will let me qualify it.

The CHAIRMAN. Well, qualify it, then.

Mr. STUBBS. I will qualify it in this way, that if you take the export sugar of Holland and the export sugar of New York and let England buy from both, that England would pay very little more for it in the United States than in Holland. If you will take the consumer of sugar in the United States and the consumer of sugar in Holland, the consumer in the United States pays but little more than the consumer in Holland. Now, that answers your question.

The CHAIRMAN. I understand it answers the question.

Mr. STUBBS. Yes.

The CHAIRMAN. And in your qualification you have figured in the tariff of each one of those countries?

Mr. STUBBS. I have figured in the tariff in one and the internal revenue in the other.

The CHAIRMAN. Yes.

Mr. STUBBS. That is right.

The CHAIRMAN. Because our Government has got the policy of paying the drawback?

Mr. STUBBS. Yes.

The CHAIRMAN. The German Government does not do that?

Mr. STUBBS. They do not charge any tariff; so that they are on a parity.

The CHAIRMAN. Therefore the fact remains that but for this tariff we could buy raw sugar in Hamburg and import it into this country for consumption at New York for just about half what we pay now, does it not?

Mr. STUBBS. I have answered that, Mr. Hardwick. You will excuse me.

The CHAIRMAN. You said yes, did you?

Mr. STUBBS. No; I did not. I qualified it with the statement that you are leaving out——

The CHAIRMAN. Well, I do not want any qualification to that. I want you to answer that. Is that true or false?

Mr. STUBBS. What?

The CHAIRMAN. If we had no duty at all at the New York port, that we could buy sugar in Hamburg and bring it over here at half, just about half, of what it now costs us with the duty on?

Mr. STUBBS. Yes; we could do it; and but for the internal revenue in Holland we could buy sugar in New York and sell it over there at about three-fifths.

The CHAIRMAN. In other words, we could sell our own sugar cheaper than we sell it to the people of the United States?

Mr. STUBBS. Oh, yes; and so could they to the Americans.

The CHAIRMAN. Yes; because sugar there pays a tax, to some extent, in internal revenue. And you think, I suppose, that the people of the United States ought to be content to continue to pay the bills for an industry that says it never will be able to furnish sugar——

Mr. STUBBS. I do not say that. I said that the people of the United States have got to have a tariff to raise revenue, and that sugar has always been a standard article for that purpose ever since 1789; before Louisiana was admitted to the Union there was a tariff of 2 cents a pound on sugar—long before Louisiana was admitted to the Union—and there has been a tariff from that day up to now, except during the Civil War. Sugar has been on the revenue list all that time, under your Democratic doctrine, and it is sound practice. Up to the war the policy of the Democracy consisted in raising revenue upon sugar and other articles of that kind, and every tariff bill that has ever been created by the Democrats of the country has recognized sugar as a standard revenue producer.

The CHAIRMAN. Would you agree on putting the tariff on sugar to the highest revenue-producing point?

Mr. STUBBS. I believe——

The CHAIRMAN. Just answer the question. Would you believe in placing a duty on sugar to the highest revenue raising point; in other words, to put on it such a duty as would raise the largest amount of revenue on the product?

Mr. STUBBS. I will answer that question, sir, by simply saying this: You are a Democrat, I believe. If you will go back about 10 years ago, the Democratic doctrine was a tariff for revenue with incidental protection and having the Government economically administered. Now, if you here in Washington think that sugar should furnish a large revenue, and give us incidental protection in the South, we want it.

The CHAIRMAN. We are not going to give it to you if I can help it.

Mr. MADISON. We will, if I can give it to you.

The CHAIRMAN. Not if I can prevent it. I do not believe in incidental protection myself.

Mr. STUBBS. You can not have the revenue without some protection.

The CHAIRMAN. Yes, we can.

Mr. STUBBS. On what articles?

The CHAIRMAN. I can give you a list of them.

Mr. STUBBS. We believed that coffee was a noncompetitive article.

The CHAIRMAN. Do you not think it is?

Mr. STUBBS. We have coffee, kona, coming in from Hawaii that is one of the finest coffees in the world. Porto Rico is developing

coffee plantations, and before long we will be having colonial coffees and colonial tea, and colonial everything.

The CHAIRMAN. Well, we will not treat them exactly as a part of the country on that proposition. If we did, in the world-encircling job that we are now engaged in we might find there was no profit in anything.

Mr. STUBBS. But, Mr. Hardwick, you are asking me questions on a subject that does not pertain at all to my profession.

The CHAIRMAN. I understood you to say that, too; and the reason we got into all this was that you would not answer my questions.

Mr. STUBBS. No; I would not let you make me say what I did not intentionally mean to say. You were trying to make me go on the record and say something I did not mean.

The CHAIRMAN. Yes; I wanted you to say what you know is true.

Mr. STUBBS. I will, if you will let me qualify it.

The CHAIRMAN. Why can you not tell the truth without qualifying it?

Mr. STUBBS. Because I want to answer your question this way.

The CHAIRMAN. Why do you not answer it plainly?

Mr. STUBBS. I do answer it plainly. I think that no man who reads this record will mistake me at all, and they would have if I had answered your questions categorically.

The CHAIRMAN. They would?

Mr. STUBBS. Yes; they would have misunderstood me, because you would have made me appear as saying that the consumer of sugar in the United States paid twice as much as the consumer in Holland.

The CHAIRMAN. I had not any idea of that.

Mr. STUBBS. I know you had no idea of it, but that would have been the gist of my answer.

The CHAIRMAN. Oh, no.

Mr. STUBBS. I beg your pardon; that is the way I looked at it, any way.

The CHAIRMAN. I am sorry you did, because I would not have had you say that. What I understood you to have said, and I am going to make you admit it again, because you have been stubborn about it——

Mr. STUBBS. I am not stubborn.

The CHAIRMAN. Well.

Mr. STUBBS. But I can not answer yes or no to such questions as you have been asking me.

Mr. MADISON. I think you have a right to complain against being compelled to answer yes or no.

The CHAIRMAN. For two days gentlemen on your side of the question were cross-examining and insisting that witnesses should answer yes or no to your questions.

Mr. MADISON. I think that the rule always is that the witness is not required to answer a question yes or no, but that he is entitled to explain.

The CHAIRMAN. Let us have this plain in the record without any qualification about this thing. I want you to take the export price at which I could buy sugar in Hamburg and import it into New York, and leave off the duty question entirely at the New York port, and tell me if the price we now pay on account of the duty being added is not nearly double, or at least double, what it would be but for that duty?

Mr. STUBBS. I do not understand your question.

The CHAIRMAN. Let the stenographer repeat the question.

(The stenographer read the pending question.)

Mr. STUBBS. Certainly; I answer that, yes.

The CHAIRMAN. I did not say anything about the consumer in Holland, did I?

Mr. STUBBS. You said, though, the American consumer paying twice as much as he could buy the sugar for in Holland?

The CHAIRMAN. I never said a word about that.

Mr. STUBBS. Yes; it was in your other question. I understood you to say that.

The CHAIRMAN. Oh, no; you had that in your mind, because you are defending the case against the consumer.

Mr. STUBBS. No; we are not. But one more explanation I would like to make while you are on that.

The CHAIRMAN. Let me say this: If you will answer the questions I ask you, then I will let you make any explanation.

Mr. STUBBS. I wanted to answer you. I could not answer yes or no when you asked me about a consumer in America; and if you will look at the question that you asked me before, it is there.

The CHAIRMAN. All right; the record will show.

Mr. STUBBS. You may wipe out the beet-sugar industry and the cane industry of Louisiana, and it will not give your consumers, five years from now, any cheaper sugar.

The CHAIRMAN. It will not?

Mr. STUBBS. No, sir.

The CHAIRMAN. Why not?

Mr. STUBBS. The world's production to-day is not on a par with its consumption. The world's production to-day is away behind.

The CHAIRMAN. Do you mean we do not produce as much as we consume?

Mr. STUBBS. I mean to say that the per capita production in the United States in the last 20 years has doubled, and unless we encourage every source of manufacture and production we can possibly, it will be only a short time when sugar will be back to its old place, and we will be paying foreign countries for our sugar.

The CHAIRMAN. How much sugar do we produce in the United States?

Mr. STUBBS. Continental?

The CHAIRMAN. Yes.

Mr. STUBBS. I understand it is 850,000 or 900,000 tons.

The CHAIRMAN. You do not produce but 350,000 tons in Louisiana?

Mr. STUBBS. 340,000 tons in all this year.

The CHAIRMAN. The world's production is away over 16,000,000 tons?

Mr. STUBBS. Yes, sir. The consumption by the United States of that amount was three and a half millions this year, or one-fifth or more of the world's production.

The CHAIRMAN. The world's consumption, of course, is no greater than, but it is always as great, I think—I mean in recent years—as the world's production.

Mr. STUBBS. It has been.

The CHAIRMAN. Of course we can not consume more than we make—the world can not.

Mr. FORDNEY. Permit me to correct you, Mr. Chairman.

The CHAIRMAN. Certainly.

Mr. FORDNEY. The world's production sometimes does not exceed the world's consumption; the consumption is greater.

The CHAIRMAN. Yes; they consume more than is made, taking it out of the stock already existing.

Mr. STUBBS. Yes; and the world's production exceeds consumption some years and lowers the price.

The CHAIRMAN. Yes; but the world's consumption could not exceed the world's production except by the use of stuff left over.

Mr. STUBBS. Yes.

The CHAIRMAN. I see that, in a moment. The world's production now is over 16,000,000 tons?

Mr. STUBBS. Yes.

The CHAIRMAN. In continental United States it is 850,000 tons, we will say.

Mr. STUBBS. Yes.

The CHAIRMAN. A little over three-quarters of a million?

Mr. STUBBS. Yes.

The CHAIRMAN. Even if that were wiped out, how could that affect the total production except proportionately and relatively?

Mr. STUBBS. Let us look at that now. You are wiping out one-sixteenth of it, and that will not affect the world's market?

The CHAIRMAN. Except one-sixteenth.

Mr. STUBBS. Let me explain a little further. Our sugar is low today, and why? Simply because it has been so cheap in the last 15 years. I remember—I do not know whether you do or not—when we paid 15 cents a pound for sugar.

The CHAIRMAN. Yes.

Mr. STUBBS. Now we can buy it for 5 cents a pound. I want to make a correction of something I heard said here yesterday in regard to the comparison of New Orleans with the rest of the country, to the effect that the price in New Orleans was 7 cents a pound.

The CHAIRMAN. That is according to the report of the British Board of Trade.

Mr. STUBBS. I would like to enter my protest against that, because the Great Atlantic & Pacific Tea Co. advertises 20 pounds of sugar for $1.

The CHAIRMAN. They are making it a leader.

Mr. STUBBS. Yes; everybody makes sugar a leader in all the prominent grocery stores of the country.

The CHAIRMAN. In New Orleans?

Mr. STUBBS. Everywhere.

The CHAIRMAN. You say the statement that sugar is sold in New Orleans at retail at from 5 to 7 cents is not true?

Mr. STUBBS. No; I say it is contrary to my information, and I have been all over Louisiana.

The CHAIRMAN. That is what this report of the British Board of Trade says.

Mr. STUBBS. I want to say that that is not true; that sugar is higher in New Orleans than anywhere else.

The CHAIRMAN. It is not true that it is higher in New Orleans than anywhere else? Have you priced it anywhere else?

Mr. STUBBS. Yes. My old home is in Virginia; and I have priced it at the retail stores in Virginia; and you can buy it there at 6 cents.

The CHAIRMAN. Six cents?
Mr. STUBBS. Yes.
The CHAIRMAN. You say that it is not a fact that the retail price in New Orleans is 7 cents?
Mr. STUBBS. Yes; that is exaggerated.
The CHAIRMAN. Can you give us an idea of what it is there?
Mr. STUBBS. Yes; I live in New Orleans.
The CHAIRMAN. You buy 20 pounds of sugar for $1 in New Orleans from one year to another, or for a day?
Mr. STUBBS. No, sir; I can do it all the time.
The CHAIRMAN. At one place?
Mr. STUBBS. No, sir; but I have never paid over 6 cents.
The CHAIRMAN. I thought you said it was 5 cents?
Mr. STUBBS. Yes; there is one house there that has a standing advertisement to sell it at that price.
The CHAIRMAN. I know; but do the other grocers follow them?
Mr. STUBBS. No, sir.
The CHAIRMAN. You would not say 5 cents would be the average price?
Mr. STUBBS. No, sir; I would say 6 cents.
The CHAIRMAN. Would that be the average?
Mr. STUBBS. No; I would say that the average would be below that.
The CHAIRMAN. How much?
Mr. STUBBS. Five and a half or five and three-quarters.
The CHAIRMAN. I am glad you told us that.
Mr. STUBBS. That statement was in the record, and that is detrimental to Louisiana.
The CHAIRMAN. That is detrimental to Louisiana?
Mr. STUBBS. It is not true.
The CHAIRMAN. That is in this report of the British Board of Trade, and we are glad to have you correct it, if it is wrong.
Mr. STUBBS. Yes.
The CHAIRMAN. Do you know anything about the operations of the American Sugar Refining Co. in Louisiana?
Mr. STUBBS. No, sir; I am not in the commercial line.
The CHAIRMAN. You are not in the commercial line?
Mr. STUBBS. No; all I know is what Mr. Burguieres and others know.
The CHAIRMAN. You could not testify about that?
Mr. STUBBS. No, sir. They are in commercial business, and I am not, and whatever I would give you would be second handed therefore.
The CHAIRMAN. I want to ask you just one or two more things, and then I will excuse you. Is Louisiana at a natural disadvantage in producing sugar or not?
Mr. STUBBS. A natural disadvantage?
The CHAIRMAN. Yes; I mean——
Mr. STUBBS. I told you the only disadvantage to growing sugar at all was that the cold made the Louisiana planter harvest his crop, whether he wanted to or not, every year.
The CHAIRMAN. Is not that more expensive than the Cuban method?

Mr. STUBBS. They only harvest every other year, and it is a question whether it is more expensive or not.

The CHAIRMAN. I thought you were an expert on that, and I wanted to know whether it was more expensive or not.

Mr. STUBBS. Excuse me one minute. I am not an expert on those questions, in the field.

The CHAIRMAN. In connection with the culture of sugar cane?

Mr. STUBBS. No, sir.

The CHAIRMAN. You are not an expert in anything else, then, are you?

Mr. STUBBS. No, sir.

The CHAIRMAN. I thought you were.

Mr. STUBBS. I told you that I had been studying the agricultural side.

The CHAIRMAN. Is not that part of the culture of sugar cane?

Mr. STUBBS. No, sir; not a particle.

The CHAIRMAN. You mean that you can study the agricultural conditions of sugar cane and not know what one costs and the other costs?

Mr. STUBBS. No, sir; you asked me what it costs in Cuba. I can answer it as to Louisiana, from absolute knowledge. If I answered you as to Cuba, it would be just exactly like what your answer would be.

The CHAIRMAN. I thought maybe you had studied conditions there.

Mr. STUBBS. I have, and I am willing to give that to you.

The CHAIRMAN. You do not know that yourself?

Mr. STUBBS. No, sir; because Cuba makes a million and a half tons of sugar, and Cuba has to-day an area as large as that of Louisiana, and conditions vary very greatly. In the western part of Cuba you have a dry section, and cane costs two or three times as much as in the eastern part, and when you ask me what it costs in Cuba, that is a very difficult question to answer.

The CHAIRMAN. I guess it is, except for any one that has made a very special study of it.

Mr. STUBBS. It is difficult and requires special study, because Cuba is far away.

The CHAIRMAN. Cuba is not so very far from Louisiana.

Mr. STUBBS. Well, no.

The CHAIRMAN. Have you ever been there?

Mr. STUBBS. Yes.

The CHAIRMAN. Have you formed any opinion about crop conditions?

Mr. STUBBS. Yes.

The CHAIRMAN. Have you ever inquired about wages paid in the field?

Mr. STUBBS. Yes.

The CHAIRMAN. Can you give us any actual knowledge there?

Mr. STUBBS. No, sir; because I found conditions varying so greatly that it was impossible——

The CHAIRMAN. Tell us what you found out. What do they pay laborers there?

Mr. STUBBS. They pay various prices.

The CHAIRMAN. Give us some of the prices. "Various prices" does not mean anything to me.

Mr. STUBBS. I would not like to answer that question.

The CHAIRMAN. Give us what you found out when you were there, if you can remember.

Mr. STUBBS. What do you say?

The CHAIRMAN. Give us, as near as you can recall, what you found out when you were there.

Mr. STUBBS. I do not know, Mr. Hardwick, that I could give you, without my books or without papers, anything like that, and I would not like to go on record as to Cuba.

The CHAIRMAN. You just say, in a general way, that wages are cheaper?

Mr. STUBBS. Cheaper every way.

The CHAIRMAN. But the wages paid expert labor are not cheaper?

Mr. STUBBS. No, sir; because they get a great deal of it from foreign countries.

The CHAIRMAN. And it is higher there than in Louisiana, is it not?

Mr. STUBBS. Not when you take their season into consideration. We work only two or three months and they work five or six.

The CHAIRMAN. They pay more per day and per month than you do in the factories in Louisiana?

Mr. STUBBS. I do not think so.

The CHAIRMAN. You do not think so?

Mr. STUBBS. They pay more during the season for laborers, but not more per day.

The CHAIRMAN. What difference is there? Can you give me even an estimate of the field labor of Louisiana and in Cuba, if you have not the figures?

Mr. STUBBS. No, sir; I can not.

The CHAIRMAN. What is the actual difference?

Mr. STUBBS. Twenty-five or 50 per cent.

The CHAIRMAN. How much?

Mr. STUBBS. Twenty-five to 50 per cent, I said.

The CHAIRMAN. From 25 to 50?

Mr. STUBBS. Yes, sir. Now, the wages in Louisiana we pay vary with us, too.

The CHAIRMAN. I know that; and the average has been testified to, as I understand it.

Mr. STUBBS. The wage in Cuba is at least 25 per cent under that of Louisiana.

The CHAIRMAN. At least 25 per cent difference in labor, under Louisiana?

Mr. STUBBS. Yes.

The CHAIRMAN. Have you ever been abroad?

Mr. STUBBS. I was sent by the United States Government to investigate the Hawaiian Islands when they were brought in, by my Republican friend, President McKinley. I was sent over to investigate the Hawaiian conditions and make a report on them and establish an experiment station there.

The CHAIRMAN. For sugar?

Mr. STUBBS. No, sir; for the United States Government.

The CHAIRMAN. I mean for the sugar culture?

Mr. STUBBS. They had already established a sugar experiment station.

The CHAIRMAN. What sort of an agricultural experiment station?

Mr. STUBBS. Under a general appropriation by Congress.

The CHAIRMAN. Have you ever been to Germany?

Mr. STUBBS. No, sir.

The CHAIRMAN. Or to France?

Mr. STUBBS. No, sir.

The CHAIRMAN. Have you studied the prices pretty well all over this country, of sugar?

Mr. STUBBS. I do not know that I have, for your purposes.

The CHAIRMAN. Have you got any details on that subject you would like to submit to us?

Mr. STUBBS. No, sir; I have not.

The CHAIRMAN. Can you tell us what it costs to produce a pound of cane sugar in Louisiana?

Mr. STUBBS. We have already given you that.

The CHAIRMAN. You adopt that figure?

Mr. STUBBS. I adopt that as about the average cost.

The CHAIRMAN. Three and three-quarters cents?

Mr. STUBBS. Three and three-quarters cents; and I want to say further to you that during this past season we made no money on account of the prices we sold for.

The CHAIRMAN. I am going to put this next question to you as a supposition, because I do not want to commit you to any statement about anything you do not know about. Suppose the fact shows that they are making sugar in Cuba for less than a cent a pound, and in Java half of that, or less, and in almost every other great sugar country half of that, or less, would you not say that it was costing you too much in Louisiana, and costing the people too much?

Mr. STUBBS. I will put it in that way, that that is all protection and not revenue, and I would say "yes." But, however, we are getting $52,000,000 of revenue from sugar.

The CHAIRMAN. Did I say less than 1 cent in Cuba?

Mr. STUBBS. Yes.

The CHAIRMAN. I meant less than 2 cents.

Mr. STUBBS. Ah, yes; you said less than 1 cent.

The CHAIRMAN. I want to correct that; less than 2 cents, and about 1½ cents in Java.

Mr. STUBBS. Let me say further about the increased production of Cuba, you can hardly reckon that we could keep up with that. They have adopted a lot of new soils there. They have opened a railroad from Habana to Santiago, and they have opened up along that railroad a lot of new land. Cuba, you know, does not fertilize, and the production in Cuba is abnormally cheap, due to the new soils that they have just brought into cultivation. The Louisiana soils have been in cultivation for over 100 years.

The CHAIRMAN. How do you account for it in Java?

Mr. STUBBS. Java has very cheap labor.

The CHAIRMAN. I mean the field labor?

Mr. STUBBS. Yes; the field labor.

The CHAIRMAN. The expert labor is paid better?

Mr. STUBBS. I do not know about that, for the reason that they are all Hollanders. We have in Cuba graduates of our schools, and we have in Hawaii graduates of our schools, and I know what is going on there, but I do not know in Java. Java pays a very low price for her labor.

The CHAIRMAN. Does that account for the entire difference?

Mr. STUBBS. I should say largely; that and another fact.

The CHAIRMAN. What is the other fact?

Mr. STUBBS. In Java, by order of the government, they can only grow cane one year in five years; they must plant two years in rice, and two years in leguminous crops, and one year in cane.

The CHAIRMAN. They do not repeat the cane crop?

Mr. STUBBS. No, sir; they raise two rice crops in order to feed the 40,000,000 of people on the island of Java. It is a protection to them. Therefore, when the cane crop comes in in Java it is a one-year crop, and it has been made very cheaply; and at the same time, in the rotation, they are credited with all the others.

The CHAIRMAN. That is a very interesting fact. The law does not provide that they can not raise any cane at all, but it means that you can not devote the same piece of land to cane oftener than once in five years?

Mr. STUBBS. No. It means that every piece of land shall be rotated.

The CHAIRMAN. Not that there shall be no sugar crop except once in five years?

Mr. STUBBS. No, sir; but no area of land shall go into sugar oftener than once in five years.

Mr. MADISON. And what are the other crops?

Mr. STUBBS. Two crops of rice and two crops in some kind of restoring crop, like clover or cowpeas. That is done to protect the 40,000,000 Javanese who are on the island, to feed them, and take care of them.

The CHAIRMAN. Is there any other fact about which I have not inquired, about which you can give the committee any knowledge?

Mr. STUBBS. There is one point that I would like to answer, if you will allow me.

The CHAIRMAN. Certainly.

Mr. STUBBS. I went to Louisiana in 1885. I will premise by saying that our sugarhouses in Louisiana make three kinds of sugar—first, second, and third sugars. The first sugars can be made after that order [indicating samples]. The second sugars can not be brought up to that order without remelting and going through a process of refining; and I want to answer while I am on this, my friend yonder by saying that there is no process in the treatment of the sugar cane, from the raw juice to the refined granulated sugar, that makes or contains one particle of poison in any way, as is evidenced by the fact that Mr. Hardwick's State makes and sells 300,000 barrels of sirup, and gets fine prices for it all over the country. There is no poison in it.

The CHAIRMAN. What is this ultramarine that they use in making sugar?

Mr. STUBBS. We do not use that often.

Mr. MADISON. They use it in some foreign countries?

Mr. STUBBS. Yes. It is bluing. You know what bluing is?

Mr. MADISON. Yes.

Mr. STUBBS. We use that to make a nice tint in shirts. In finishing up centrifugal sugar, we will add a few drops of that to the sugar, and give it that nice tint.

Mr. MADISON. To take the yellow out of it?

Mr. STUBBS. No, sir; it makes a brilliant white.

Mr. MADISON. Is that injurious at all?

Mr. STUBBS. No, sir; not one particle. If it was injurious you you would not eat enough in a lifetime to get enough of it to do you any harm, because they do not use a thimbleful of it to a barrel of water, hardly.

Mr. MADISON. I have noticed the statement made that sugar would be barred out of this country, except at a high rate of duty, treated in that way.

Mr. STUBBS. That what?

Mr. MADISON. That sugar would be barred out which was treated by this ultramarine; is that true or not?

Mr. STUBBS. I do not know. When I went to Louisiana, in 1885, there was no trust, and there were few refineries. All of our sugarhouses made their first sugars into what are known as grocery grades; that is, to sell directly to consumers. There were 40 to 50 buyers on the sugar exchange buying these sugars and sending them to all parts of this country. Only our second and third sugars went to the refineries. Later on it was found that if fair prices were paid for unrefined sugar, as a larger number of pounds were obtained at 96 than in these refined sugars, it was more profitable for the planter to make 96 centrifugals and sell them directly to the refinery. In this way the practice of making grocery sugars declined, and a larger amount of refined sugars was made annually. To make the refined sugar requires only an increased amount of filtration, careful clarification, and careful washing of the sugar in the centrifugals.

In the march of a large sugarhouse it was found that a larger amount of sugar could be obtained and a larger amount of cane ground by making the raw sugars of 96°. Therefore most of our sugarhouses adopted this policy.

Now, since the trust are discounting these sugars and paying us less for them in New Orleans than in New York, there is a disposition on the part of the planters to return to the manufacture of these grocery or yellow clarified sugars, and in doing so they find themselves handicapped by the loss of the market and the aversion of the general public to use our sugars after being educated up to the continued use of standard granulated sugar. In order, therefore, to get these sugars on the market we have to sell them at a price slightly below that of refined; and this would be a great advantage to us, provided we had the capital to carry these sugars throughout the year and supply the market. However, from a scientific basis, the manufacture of 96 centrifugals would be, other things being equal, advantageous to the planter.

The CHAIRMAN. And it would be advantageous for the consumer?

Mr. STUBBS. No, sir; this does not go into consumption. This is 96, as I am telling you.

The CHAIRMAN. It does go into consumption after it is refined, does it not?

Mr. STUBBS. Yes.

The CHAIRMAN. That would enable the refiner to sell it cheaper, would it not?

Mr. STUBBS. Let me go a little further.

The CHAIRMAN. Answer that question before you go any further.

Mr. STUBBS. What is the question?

The CHAIRMAN. The question is, if you could make it cheaper.

Mr. STUBBS. I do not say we can make it cheaper. We can make the 96 cheaper than we could that grocery sugar.

The CHAIRMAN. The 96 does not go into consumption?

Mr. STUBBS. It does after it is refined.

The CHAIRMAN. Yes.

Mr. STUBBS. Now, I am coming to this point. A large refinery, of 20,000 barrels a day, can refine cheaper than a planter does or can to save his life. If he was to get prices commensurate with his refined sugar, he could. Therefore it is the business of the planter, if he can make a 96 sugar, to sell to the refinery, and let the refiner refine it.

This is perfectly healthy sugar. There is nothing in it except the juice of the cane.

The CHAIRMAN. It is just as healthy for a man to eat this sort of sugar as any other?

Mr. STUBBS. Yes.

The CHAIRMAN. It tastes better, does it not?

Mr. STUBBS. That depends on how your taste is educated. If you are educated up to a glucose taste, it does taste sweeter. There is no difference except that there is a trace of molasses in it. If you are accustomed to molasses, it tastes sweeter. Now, I want to call your attention to this. Any sugar that is not thoroughly dried, granulated sugar, or any other that has the least moisture in it, on exposure will become saturated with germs that will begin a fermentation of some kind. I have been called upon as an expert by the United States Government to examine into it, and I have found as high as 5 per cent inversion took place through contact with the salt water. There are two objections to our grocery or commercial sugars. They are not granulated, and therefore lump when kept in volume. The second is, there is nothing so susceptible to fermentation as sugar, and therefore there will be a gradual inversion by the germs of the air, due to the small amount of water left in these sugars.

The CHAIRMAN. This sells lower than the other, does it not?

Mr. STUBBS. That varies, very largely. Sometimes when there is a demand for that sugar we can get within 50 points of standard granulated. Sometimes it is bought by the refiner and refined.

The CHAIRMAN. Is there anything else you care to add that I have not thought to ask about?

Mr. MADISON. Let me make this suggestion, if you please, Doctor and Mr. Chairman. I am going to suggest that the doctor file a statement. We will close the testimony now, unless he has got something else that he wants to state.

Mr. STUBBS. I could sit here for hours and correct a great deal of false impression that has been made on you in the last few days, from a scientific standpoint.

Mr. MADISON. I have been interested in your testimony, and I am impressed with the idea that you have got a peculiar and valuable knowledge that we can not get out in just a brief examination. I am going to request that the doctor be requested to file a statement, and that it be not confined, except that it be reasonable in its extent, to the subject of what he has testified about, but that he may make it generally cover he subjects that we are called upon to investigate here.

Mr. STUBBS. With regard to sugar culture?

Mr. MADISON. Yes; the subjects we are called upon to study.

Mr. STUBBS. There is one thing that I want to call attention to that was testified to yesterday. When I went to Louisiana, 25 years ago, every planter cultivated his own cane and manufactured it. Two hundred tons was the capacity of our largest sugarhouses. To-day I will say that over half of it is grown by farmers who transport it on cars from 25 to 100 miles.

The CHAIRMAN. That is, the sugar cane?

Mr. STUBBS. Yes; the sugar cane. We have over 2,000 of what we would call in the West large farmers growing sugar cane, all the way from 200 to 5,000 tons, and such men as Mr. Burguieres and others who are here buy these canes from them.

The CHAIRMAN. And they manufacture it?

Mr. STUBBS. Yes; they manufacture it; and I want you to understand another thing. This I want to explain, and then I am done. We pay for sugar cane liberally. If sugar is worth 4 cents a pound in New Orleans we give 90 cents per ton for the cane for every cent the sugar is worth, or $3.60 per ton for the cane, and then pay the freight from the loading station to the factory. That is about the average. Away off in the remote portions sometimes it is 80, and when nearer the factory you might get a little more; but 90 is our average. We have lots of sugar that we do not get 4 cents a pound for during the season.

We make our second sugars into 96 centrifugals. The average of our sugarhouse is about 150 pounds of sugar per ton. Of this we give 90 pounds or more to the planter and about 15 pounds or more to the transportation company, and that leaves us only twenty-odd pounds for manufacturing; so that we have a sliding scale. If sugar goes down to 3 cents we pay the manufacturer 90 times 3, or 90 pounds of sugar out of 150.

The CHAIRMAN. You may file that statement at your leisure, Doctor.

Mr. STUBBS. Am I at liberty to select what information I want?

The CHAIRMAN. Yes; for the information of the committee; and, let me say, you might confine it to the culture and manufacture of sugar cane; I mean the culture of sugar cane and its manufacture into, first, raw, and then refined sugar.

Mr. MADISON. And I think he should be permitted to answer any propositions which have been put forward here which he feels——

The CHAIRMAN. No; I do not think——

Mr. MADISON. Wait until I get through with my statement—which he feels, from the standpoint of the Louisiana sugar grower, ought to be met, statements concerning which ought to be made, and which are confined within the scope of our investigation.

There is one matter I would like particularly for this gentleman to treat on, and that is this: He stated a moment ago that the world's production of sugar was about equal to its consumption.

Mr. STUBBS. It is not up to it sometimes.

Mr. MADISON. No; I said generally about equal to the consumption; and that there was real necessity for development in all places where development could take place.

Mr. STUBBS. Yes.

Mr. MADISON. And that, reasoning from that state of facts, if we as a matter of fact, for any reason—I do not care whether it was the

tariff or not—destroyed, or if any natural causes destroyed—if destruction occurred of—the sugar industry in this country, that we later would be paying just as high a price as we are now paying.

The CHAIRMAN. I would have to recall the witness if you want to go into that, because there are some matters he has not testified on that I should have to question him about. I want him to give us the benefit of any technical knowledge which he has.

Mr. MADISON. You are assuming that I am taking this view of it.

The CHAIRMAN. No; I am not.

Mr. MADISON. I want to have that matter cleared up—if it is or not correct that the world's stock of sugar is increasing each year and every year and there is a larger stock carried over.

Mr. STUBBS. Since the removal of the export bounty the sugar consumption of Europe has increased enormously.

Mr. MADISON. I think we ought to have information on that subject.

The CHAIRMAN. I think so, too.

Mr. STUBBS. You asked this morning about the South's development. Gov. Broward, who was elected United States Senator and died, after being governor, undertook in his administration of Florida to drain the Everglades. I have been with him and we have talked time and time again on developing those Everglades into big sugar farms; so that if you will let us alone and give us reasonable protection we can develop, I think, a continental industry which would stand no matter what happened.

The CHAIRMAN. You would charge us too much of a bill for it.

Mr. STUBBS. Well, we furnish $52,000,000 a year revenue, and certainly no other industry in the United States does that.

Mr. RAKER. There are so many people who want to be let alone.

The CHAIRMAN. Everybody who has any protection wants to be let alone, and no man, north, south, east, or west, who has any protection, wants to part with an ounce that he has got.

Mr. STUBBS. I do not think you would find, if you were on the Committee on Ways and Means, that you could regard it in quite that way.

The CHAIRMAN. We will get the revenue.

Mr. STUBBS. Where will you get it?

The CHAIRMAN. We will get the income tax ratified before long.

Mr. STUBBS. Oh, yes.

The CHAIRMAN. We will have it by next winter.

Mr. STUBBS. You have got to legislate on that, too.

The CHAIRMAN. We can legislate on it as easily as on sugar.

Mr. FORDNEY. I think these questions are away beyond our scope here.

The CHAIRMAN. Yes; this is informal, of course.

Mr. STUBBS. We are not protected. We have a tariff for revenue. Sugar has been on the list of tariff for revenue ever since this Government was started in 1789.

The CHAIRMAN. Are you willing that we should write the sugar tariff at the highest revenue-raising point we can find, regardless of everything? You say you have got no protection.

Mr. STUBBS. I will ask you in your wisdom to put a tax on sugar that you think is commensurate with the demands of the Nation, and let it bear its part as a revenue producer.

The CHAIRMAN. In other words, raise the most revenue we can on you?

Mr. STUBBS. I have accurately said just what I meant.

The CHAIRMAN. That is the true revenue doctrine, to put the highest revenue-producing point on everything.

Mr. STUBBS. If you think sugar can stand more revenue tax, put it on. If you think, after you have gone over the whole thing, that you probably do not need quite so much on sugar, it is your Democratic doctrine to adjust it.

Mr. MADISON. We in Kansas are filled with the idea that you people in Louisiana belong to the Republican Party, and you ought to go there. That is the only consistent place for you.

Mr. STUBBS. Do not forget one thing. They had us before the Ways and Means Committee of the Republican Party in 1893 and 1894, I believe it was, where we protested against the Republican Party putting on the bounty.

The CHAIRMAN. Because it was not as much as the duty.

Mr. STUBBS. No, sir; not at all.

Mr. FORDNEY. It gave them 2 cents a pound.

The CHAIRMAN. The duty was more than that at that time.

Mr. RAKER. Not for the record, I would like to ask you, Doctor, if you are going to be in this part of the country for some time; and if we want to call you before us again, will you come back?

Mr. STUBBS. I am visiting my old home, down in Virginia. Of course I will come before the committee again if you think you really want me.

Mr. FORDNEY. Doctor, in calling you back here to testify further, is it not your opinion right now that they might just as well right now as ever dissipate any idea they may have that they can get any opinion out of you that this industry can live without a tariff?

Mr. STUBBS. I want to say, Mr. Hardwick, it is only a question of this: If you, as a Democratic Party here, are willing to sacrifice the beet-sugar industry of the United States and the cane-sugar industry, all you have to do on earth is to take the tariff off.

Mr. FORDNEY. Good.

Mr. STUBBS. And I want to say another thing. It takes three years to go out of the sugar industry and it takes three years to go back. If you were to come to Louisiana to-morrow and start cane growing, it would be three years before you would have a product for sale. When you abolish this tariff or interfere with it in such a manner as to make sugar growing unprofitable, we would live two or three years, because it would take us that long to get out of the industry. Then you can expect our biggest factories to go to Cuba and Porto Rico, and our small ones to go to the junk heap.

If you are willing to destroy an industry like our sugar industry in Louisiana and to destroy this beet-sugar industry, and I do not know how much that is worth, and do not want the revenue from sugar, all you have to do is to do that, and you can write our obituary the day you do it.

The CHAIRMAN. That is what every beneficiary of the tariff says, from California to Maine.

(At 1.35 o'clock p. m. the committee adjourned.)

No. 23

HEARINGS

HELD BEFORE THE

SPECIAL COMMITTEE ON THE INVESTIGATION OF THE AMERICAN SUGAR REFINING CO. AND OTHERS

TUESDAY, JULY 18, 1911

HOUSE OF REPRESENTATIVES

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

SPECIAL COMMITTEE ON THE INVESTIGATION OF THE AMERICAN SUGAR REFINING CO.

HOUSE OF REPRESENTATIVES.

THOMAS W. HARDWICK, *Chairman.*

FINIS J. GARRETT.	GEORGE R. MALBY.
WILLIAM SULZER.	J. W. FORDNEY.
JOHN E. RAKER.	E. H. MADISON.
H. M. JACOWAY, JR.	A. C. HINDS.

AMERICAN SUGAR REFINING CO.

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE AMERICAN SUGAR REFINING CO. AND OTHERS,
New York, July 18, 1911.

The committee this day met, Hon. Thomas W. Hardwick (chairman) presiding.

The CHAIRMAN. I will ask Mr. Thomas to take the stand.

TESTIMONY OF MR. WASHINGTON B. THOMAS.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Give the reporter your full name, please.

Mr. THOMAS. Washington B. Thomas.

The CHAIRMAN. Your place of residence?

Mr. THOMAS. Boston.

The CHAIRMAN. Your present business?

Mr. THOMAS. I am chairman of the board of directors of the American Sugar Refining Co.

The CHAIRMAN. Are you a member of that board also?

Mr. THOMAS. I am.

The CHAIRMAN. Since when have you been chairman of that board?

Mr. THOMAS. Since last January.

The CHAIRMAN. You have been chairman since last January, have you not?

Mr. THOMAS. Yes.

The CHAIRMAN. You have been a member since August 23, 1893?

Mr. THOMAS. That is correct.

The CHAIRMAN. You were treasurer from January 11 to February 8, 1899?

Mr. THOMAS. Yes, sir.

The CHAIRMAN. You were its vice president from January 10, 1906, to December 10, 1907, were you not?

Mr. THOMAS. Yes; that is correct.

The CHAIRMAN. And you have been its president since December 10, 1907, until what time?

Mr. THOMAS. Until the annual election last year—January of this year.

The CHAIRMAN. Until January of this year?

Mr. THOMAS. Yes; when I was made chairman of the board of directors.

The CHAIRMAN. And at that time did you resign the office of president?

Mr. THOMAS. I did.

The CHAIRMAN. When the Sugar Refineries Co. was formed in 1887, did you have any connection whatever with that transaction?

Mr. THOMAS. I had no connection whatever with that transaction.

The CHAIRMAN. Did your father have any connection with that transaction?

Mr. THOMAS. He did.

The CHAIRMAN. He sold his plant, did he not, to that combination?

Mr. THOMAS. He did.

The CHAIRMAN. It was located in Boston, was it not, Mr. Thomas?

Mr. THOMAS. Yes, sir.

The CHAIRMAN. And your father's name was——

Mr. THOMAS. Joseph B. Thomas.

The CHAIRMAN. Joseph B. Thomas, sr.?

Mr. THOMAS. Yes, sir.

The CHAIRMAN. You had a brother of the same name?

Mr. THOMAS. Yes.

The CHAIRMAN. What was the name of the business concern of your father's at that time?

Mr. THOMAS. The Standard Sugar Refinery.

The CHAIRMAN. What was its capacity?

Mr. THOMAS. Its capacity then, to the best of my recollection, was about 2,500 barrels.

The CHAIRMAN. That is, daily capacity?

Mr. THOMAS. That was the daily capacity.

The CHAIRMAN. What would that be in pounds, Mr. Thomas?

Mr. THOMAS. That would be about 800,000 pounds, I should think.

The CHAIRMAN. About 800,000 pounds?

Mr. THOMAS. 875,000 pounds per day.

The CHAIRMAN. It was a refinery for the refining of sugar from cane?

Mr. THOMAS. Yes.

The CHAIRMAN. What had that plant cost, Mr. Thomas?

Mr. THOMAS. I do not know. I have no recollection of that. It was previous to my time.

The CHAIRMAN. Well, you have had long and intimate acquaintance with the business of sugar refining?

Mr. THOMAS. Well, I have been in it since 1879, and situated entirely in Boston until the time I became president, succeeding Mr. Havemeyer.

The CHAIRMAN. Now, give us an estimate, if you can, as to what a plant of that capacity ought to have cost or was reasonably worth.

Mr. THOMAS. Well, I can not tell you that, Mr. Chairman.

The CHAIRMAN. Could you not even approximate it?

Mr. THOMAS. I could not approximate it and be perfectly safe.

The CHAIRMAN. Of course, we understand that no estimate of that kind is perfectly safe. It is only one man's opinion.

Mr. THOMAS. I would not wish to mislead you.

The CHAIRMAN. No; I know that; but could you not, for the information of the committee, give us your best estimate on that?

Mr. THOMAS. Well, I can give you my best estimate; I should say a million and a quarter to a million and a half.

The CHAIRMAN. Do you know when this concern, the Standard, went into the Sugar Refineries Co., what it obtained for its plant?

Mr. THOMAS. I do not.

The CHAIRMAN. You were associated in business with your father, were you not?

Mr. THOMAS. Yes; I was with my father, but I was in a very modest and humble capacity.

The CHAIRMAN. You were afterwards one of the executors of his estate, were you not?

Mr. THOMAS. Yes.

The CHAIRMAN. Well, do not the records of that estate show what he got for this property?

Mr. THOMAS. They probably do, but I do not remember now. I can not tell you.

The CHAIRMAN. You can not even approximate it now?

Mr. THOMAS. I can not approximate it now.

The CHAIRMAN. Well, where are the records of that estate, Mr. Thomas?

Mr. THOMAS. They are in Boston.

The CHAIRMAN. Do you think, after refreshing your memory from the records of that estate, you could tell us what he got for that plant?

Mr. THOMAS. Yes; I will try to do that.

The CHAIRMAN. Well, please take a note of that, Mr. Fuller.

Mr. FULLER. What is that?

The CHAIRMAN. I have asked Mr. Thomas to look over the records of the estate of his father and find out what his father obtained for this Standard Sugar Refinery at the time he sold it to the Sugar Refineries Co. in 1887, and he said he thinks he can tell from the records of the estate.

Mr. FULLER. All right, sir.

The CHAIRMAN. Now, Mr. Thomas, I believe you said just now that you had been a director in the American Sugar Refining Co. ever since August 23, 1893.

Mr. THOMAS. Yes; that is correct.

The CHAIRMAN. Now, the American Sugar Refining Co. was organized under the laws of New Jersey in August, 1891, was it not?

Mr. THOMAS. Yes.

The CHAIRMAN. So that you became a director of that company within two years after its organization?

Mr. THOMAS. Yes.

The CHAIRMAN. What was the capital stock of the American Sugar Refining Co. at that time?

Mr. THOMAS. At that date I think it was $75,000,000, and was increased to $90,000,000 subsequently.

The CHAIRMAN. It was increased to $90,000,000 when you bought out the Philadelphia business, was it not?

Mr. THOMAS. I believe it was; yes.

The CHAIRMAN. And it was $75,000,000 before that time?

Mr. CRAWFORD. $50,000,000 originally; $75,000,000 when they bought out the Philadelphia concerns, and $15,000,000 additional much later.

Mr. THOMAS. Yes; that is correct.

The CHAIRMAN. You adopt that answer, Mr. Thomas?

Mr. THOMAS. Yes.

The CHAIRMAN. So it was $50,000,000 when it was first chartered, and it was made $75,000,000 when it bought out the four Philadelphia concerns in 1892, and later was increased to $90,000,000?

Mr. THOMAS. Yes.

The CHAIRMAN. It was increased to $90,000,000 when it went into the beet-sugar campaign, was it not?

Mr. THOMAS. That is correct; yes.

Mr. CRAWFORD. Mr. Chairman, the date of the organization was January, 1891, and not August, 1891?

The CHAIRMAN. That is correct. The date of the organization of the American Sugar Refining Co. was January, 1891, instead of August, 1891, was it not, Mr. Thomas?

Mr. THOMAS. Yes.

The CHAIRMAN. I led you into that mistake by my own error. Now, you say, prior to 1893 you had no acquaintance whatever with the conduct of the business of the American Sugar Refining Co.?

Mr. THOMAS. Not as a whole. I was acquainted with the business in Boston—the local business.

The CHAIRMAN. But I mean its great operations as a whole?

Mr. THOMAS. No.

The CHAIRMAN. You had no knowledge or acquaintance with them until you became a member of the board of directors?

Mr. THOMAS. Not until I became a member of the board of directors.

The CHAIRMAN. But after you became a member of the board of directors you have had pretty thorough knowledge of what has gone on, have you not?

Mr. THOMAS. I have had a fairly thorough knowledge.

The CHAIRMAN. A fairly comprehensive knowledge of its policy?

Mr. THOMAS. I won't say completely——

The CHAIRMAN (interposing). But as comprehensive a knowledge of its policy and general conduct as a director of a great business concern ought reasonably to have?

Mr. THOMAS. That depends. I would like to say right here, in anything I say I wish no reflection to be made on Mr. Havemeyer's methods of carrying on the business. He was a man who ran a corporation, or believed in running it as a ship captain would run a ship. He believed in doing that he could get the greatest efficiency out of the corporation and could do the best work for the stockholders. Of course public opinion has changed, and I do not doubt but to-day if he were alive he would probably see the advisability of changing with that public opinion. I say this, Mr. Chairman, because I want no influence from my words to reflect upon him in any way.

The CHAIRMAN. I quite understand that it is not pleasant to reflect on a dead man, and that you do not intend to do it; and I want to say that nobody intends to do it, except so far as the facts render criticism of conduct, rather than of individuals, necessary. Now, on that line, you do not have an idea that he would have changed from any of the utterances Mr. Havemeyer ever made publicly, do you?

Mr. THOMAS. I do not.

The CHAIRMAN. Did he not repeatedly, before congressional and other investigating committees and in the public press, repudiate the idea of publicity or of anybody knowing anything about the business?

Mr. THOMAS. Yes; I believe he did; undoubtedly.

The CHAIRMAN. And, so far as you know, there is no record anywhere that he ever changed his views on that subject up to the time of his death?

Mr. THOMAS. No; none at all.

The CHAIRMAN. Now, the American Sugar Refining Co. increased its capital, as you have just said, from $50,000,000 to $75,000,000 when it made the Pennsylvania campaign, which resulted in the purchase of the four great competing sugar refineries at Philadelphia, did it not?

Mr. THOMAS. Yes.

The CHAIRMAN. Are you familiar with the terms of the agreement that was made between Mr. Harrison and his associates in Philadelphia and the American Sugar Refining Co.?

Mr. THOMAS. I am not.

The CHAIRMAN. Well, I do not mean of your own knowledge, but from your knowledge of the American Sugar Refining Co's. business.

Mr. THOMAS. No; I am not familiar with it.

The CHAIRMAN. You are not familiar with that trade at all?

Mr. THOMAS. No.

The CHAIRMAN. In January, 1896, during the time you were a director and an officer of the American Sugar Refining Co., is it not true that the American Sugar Refining Co. caused the E. C. Knight Co. to sell, transfer, and deliver its factory and all of its assets to the Franklin Sugar Refining Co.?

Mr. THOMAS. I do not remember that transaction. I was a director at that time. I was not an officer of the company. I did not go on the executive committee until 1898.

The CHAIRMAN. But you were a director?

Mr. FULLER. No; he was not.

The CHAIRMAN. In 1896?

Mr. FULLER. Oh, I beg your pardon. I thought you meant at the time of the Knight case, Mr. Chairman.

The CHAIRMAN. It is a fact, then, is it not, as a director you did know that after the American Sugar Refining Co. acquired these four Philadelphia competitors, it did consolidate them into one plant, did it not?

Mr. THOMAS. Well, let me see. There was the Franklin and the Knight——

The CHAIRMAN (interposing). And the Delaware?

Mr. THOMAS. The Delaware. The Spreckels Co. was not in existence at that time.

The CHAIRMAN. No. They did consolidate those plants, did they not? I do not care about the year, but subsequent to their acquisition they consolidated them?

Mr. THOMAS. Yes.

The CHAIRMAN. And they made one plant out of the four Philadelphia houses?

Mr. THOMAS. I believe so.

The CHAIRMAN. And to-day the American Sugar Refining Co. instead of operating the four different concerns, or perhaps five in all, counting the Spreckels Co., that at various times it has bought in Philadelphia, operates only one refinery now in Philadelphia?

Mr. THOMAS. It operates one, and has another in reserve, the Franklin.

The CHAIRMAN. Which one does it operate?

Mr. THOMAS. The Spreckels.

The CHAIRMAN. It operates the Spreckels and holds the Franklin in reserve?

Mr. THOMAS. Yes.

The CHAIRMAN. Do you know whether the American Sugar Refining Co. pays any one of the Harrisons any considerable salary for looking after that Franklin plant which is held in reserve?

Mr. THOMAS. We did some time ago, but it has been discontinued.

The CHAIRMAN. And he does not get any salary at all now?

Mr. THOMAS. He gets nothing now.

The CHAIRMAN. What was the salary they paid him some time ago?

Mr. THOMAS. I do not remember. I could not give you that.

The CHAIRMAN. Who could give us that information?

Mr. THOMAS. I could get it for you at my office.

The CHAIRMAN. Will you make a note of that, Mr. Fuller?

Mr. FULLER. As to what salary was paid Mr. Harrison?

The CHAIRMAN. Yes. Which one of the Harrisons was that, C. C.?

Mr. THOMAS. No; it is the other one. It is the one who was at the refinery.

The CHAIRMAN. W. W.?

Mr. THOMAS. W. W. is Frazier.

The CHAIRMAN. Do you remember the initials of the nephew of Mr. C. C. Harrison?

Mr. THOMAS. I have forgotten his initials, but I know the man you mean.

The CHAIRMAN. George H. Frazier?

Mr. THOMAS. George H. Frazier is a director in the American Sugar Refining Co., and the man you have reference to is undoubtedly a Mr. Harrison who was the superintendent there.

The CHAIRMAN. Was it Mr. Alfred Harrison?

Mr. THOMAS. No; it was not Mr. Alfred Harrison. I know whom you mean, and I will see that you get the information.

The CHAIRMAN. William W., is that his name, Mr. Thomas?

Mr. THOMAS. Yes; that is correct.

The CHAIRMAN. I suppose, then, we will get the information as to what salary was paid him after the acquisition and shutting down of this Franklin Refinery, and for what it was paid to him?

Mr. THOMAS. Yes.

The CHAIRMAN. After the Sugar Refineries Co. acquired the control of all the Boston refineries that had previously been competitors of the various constituent members of the Sugar Refineries Co., and of each other, in 1887, is it not true they closed them all down but one, and operated only one refinery in Boston?

Mr. THOMAS. At first they closed down all but three.

The CHAIRMAN. How many were there in Boston before 1887?

Mr. THOMAS. There were five.

The CHAIRMAN. And they closed two of them down at once?

Mr. THOMAS. They closed two of them down at once, and then another subsequently, and then they have kept up to this time two refineries, the Standard Refinery and one that used to be the Conti-

nental, which is held in reserve to-day, just as the Franklin is for the Spreckels in Philadelphia.

The CHAIRMAN. Has the American Sugar Refining Co. got a refinery at Baltimore?

Mr. THOMAS. Not to-day.

The CHAIRMAN. Did it ever have one there?

Mr. THOMAS. They did have one there at one time.

The CHAIRMAN. When?

Mr. THOMAS. I can not give you that date, but I will get it for you.

The CHAIRMAN. Let me see if I can refresh your memory on that. Was it about 1889?

Mr. THOMAS. I should think very likely, but I can not testify to that.

The CHAIRMAN. You think very likely that is true?

Mr. THOMAS. Well, if it is in the record, it is undoubtedly correct.

The CHAIRMAN. You mean if it is in this bill filed by Mr. Wise?

Mr. THOMAS. Well, I will say that it probably is.

The CHAIRMAN. That corresponds with your recollection of what the truth is?

Mr. THOMAS. Well, I should think it is very likely so, but I can not testify to the date myself.

The CHAIRMAN. Was it called the Baltimore Sugar Refining Co.

Mr. THOMAS. I think that was the name of it.

The CHAIRMAN. It was organized by W. W. Spence and others, all of Maryland, was it not?

Mr. THOMAS. To the best of my recollection.

The CHAIRMAN. It had a daily melting capacity of something like 600,000 pounds?

Mr. THOMAS. I should think probably that was about the size of it. It was a small house.

The CHAIRMAN. Now I want to read you this allegation in the bill filed in the circuit court of New York for the southern district of New York, in reference to this Baltimore transaction, and I want you to tell me how much of this allegation is true, in your judgment, from your knowledge of the company's affairs. I will first explain to you that this concern, the Baltimore Sugar Refining Co., was incorporated in September, 1889. The allegation made in this bill filed by Attorney General Wickersham and Mr. Wise on that subject is this:

In March, 1891, Henry O. Havemeyer—

He is dead, is he not?

Mr. THOMAS. Yes, sir.

The CHAIRMAN (reading):

Theodore A. Havemeyer—

He is dead, is he not?

Mr. THOMAS. He is.

The CHAIRMAN (reading):

John E. Searles, jr.—

He is dead, is he not?

Mr. THOMAS. He is.

The CHAIRMAN (reading):

acting for the American Sugar Refining Co., employed agents who, by October, 1891, secretly bought and delivered to them 1,570 of the shares of the capital stock of Baltimore Sugar Refining Co., of Baltimore city, and on October 16, 1891, the then directors of the American Sugar Refining Co., for the purpose of acquiring control over the Baltimore company and preventing it from engaging in its intended business, and thereby further destroying competition and strengthening the monopoly held by the American Sugar Refining Co., authorized its secretary to purchase a majority of the capital stock of said Baltimore company, and in obedience thereto, by November, 1891, he purchased 5,850 of such shares, including the above-mentioned 1,760, thus obtaining for the American Sugar Refining Co. the control over said company, and thereafter said secretary, at the direction of the American Sugar Refining Co., purchased for it more of such shares until in June, 1892, the total number held by it was 8,600, all of which it held and voted from then until the dissolution of the Baltimore Sugar Refining Co., of Baltimore city, and at all such times it elected the board of directors and officers, and managed the affairs of that company, and prevented and restrained it from engaging in any business, and prevented its factory from being operated.

What about that?

Mr. THOMAS. Well, I have no recollection of those facts therein stated.

The CHAIRMAN. Have you ever examined the minutes or records of the American Sugar Refining Co. on that subject?

Mr. THOMAS. I have not, on that subject; no.

The CHAIRMAN. Of course, then, you do not know whether the minutes or records show these facts or not?

Mr. THOMAS. No; I do not know.

The CHAIRMAN. You do not know that to be true?

Mr. THOMAS. No.

The CHAIRMAN (reading):

In June, 1903, the American Sugar Refining Co., with the above-mentioned wrongful purpose—

At that time you were a director and probably an officer, were you not, being on the executive board?

Mr. THOMAS. Yes.

The CHAIRMAN. So I invite your particular attention to this statement:

In June, 1903, the American Sugar Refining Co., with the above-mentioned wrongful purpose, had acquired the entire capital stock of said Baltimore Sugar Refining Co., of Baltimore city, and thereafter caused its factory to be dismantled and the machinery to be removed therefrom and its real estate to be sold, and on May 28, 1909, caused the company to be dissolved.

What about that?

Mr. THOMAS. Well, I think that is probably correct. May I say one thing more?

The CHAIRMAN. Certainly; you may qualify your answer in any way you want to.

Mr. THOMAS. I think the refinery, shortly after we bought it, was burned down, and the American Sugar Refining Co. rebuilt that refinery.

The CHAIRMAN. Did they enlarge its capacity when they rebuilt it?

Mr. THOMAS. I think they did, a trifle.

The CHAIRMAN. Now, Mr. Thomas, let me ask you right in that connection, because I am very much interested in this answer, what year was it when you rebuilt that factory in Baltimore?

Mr. THOMAS. I can not give you that year.

The CHAIRMAN. Can you supply the date later?

Mr. FULLER. I guess so; yes, sir. He said shortly after they bought it.

The CHAIRMAN. I understand, but that is rather indefinite. Do you mean shortly after it acquired a majority of its stock, or shortly after it acquired all of its stock?

Mr. THOMAS. Shortly after is acquired an interest in it, I should think.

The CHAIRMAN. At any rate, you can give us, from your records, the date you rebuilt that factory in Baltimore?

Mr. THOMAS. Yes.

The CHAIRMAN. You say, with that qualification, it is true that after you rebuilt it you finally dismantled it?

Mr. THOMAS. Yes.

The CHAIRMAN. And removed the machinery?

Mr. THOMAS. Removed the machinery to New Orleans, to the new refinery.

The CHAIRMAN. And put the machinery in the Chalmette Refinery?

Mr. THOMAS. Yes, sir.

The CHAIRMAN. Now, Mr. Thomas, will you tell us why you did that?

Mr. THOMAS. Because New Orleans seemed to be a more profitable place for operating a refinery. A great many things are cheaper there; water is cheaper, the railroad facilities are good, and we could get plenty of land.

The CHAIRMAN. Is labor cheaper there?

Mr. THOMAS. I think labor is somewhat cheaper. In fact, everything that enters into the cost of refining, I think, is cheaper there than anywhere else.

The CHAIRMAN. Manufacturing generally is cheaper in New Orleans than——

Mr. THOMAS (interposing). Than it is in the North or East. That is my impression.

The CHAIRMAN. Now, is it not true that from 1892 to June, 1900, the Mollenhauer Sugar Refining Co. was engaged in operating its factory at Brooklyn and in interstate and foreign trade and commerce in raw and refined sugar?

Mr. THOMAS. I can testify to nothing about these New York refineries except from hearsay.

The CHAIRMAN. Well, until 1893 the Mollenhauer company was entirely separate and distinct from the American Sugar Refining Co., was it not?

Mr. THOMAS. I believe so; yes.

The CHAIRMAN. Now, on March 8, 1893, is it not true that the American Sugar Refining Co. purchased from Charles H. Senff 3,000 shares of the capital stock of the Mollenhauer Co.?

Mr. THOMAS. I do not know that of my own knowledge, but I believe it is perfectly correct.

The CHAIRMAN. The records show that you have that stock?

Mr. THOMAS. Yes.

The CHAIRMAN. That you still have it, and vote it?

Mr. THOMAS. Yes, sir.

Mr. CRAWFORD. That stock went into the National. We have not got it.

The CHAIRMAN. But you held it and voted it until the National was formed?

Mr. THOMAS. I do not know about voting it, but probably we did.

The CHAIRMAN. You held it?

Mr. THOMAS. Yes, sir.

The CHAIRMAN. And afterwards the Mollenhauer Co. went into the National?

Mr. THOMAS. That is correct.

The CHAIRMAN. About 1900?

Mr. THOMAS. Yes.

The CHAIRMAN. When the National was formed?

Mr. THOMAS. Yes.

The CHAIRMAN. Now, in February, 1894, is it not true that James H. Post, Frederick H. Howell, and Thomas A. Howell, as partners, and individually, the National Sugar Refining Co., the Mollenhauer Sugar Refining Co., the American Sugar Refining Co., and Frederick D. Mollenhauer, and Henry O. Havemeyer, the said Havemeyer acting for and on behalf of the American Sugar Refining Co., entered into an agreement whereby it was provided that from time to time the said Havemeyer, Post, and Mollenhauer should meet and agree upon the amount of raw sugar and molasses that should be manufactured by said companies and the quantity of refined sugar that should be sold, shipped, and delivered by them throughout the several States and Territories of the United States in a fixed period of time.

Mr. THOMAS. I have no knowledge whatever of any such understanding or agreement.

The CHAIRMAN. And was there not an agreement further that the percentage thereof that each of them should so manufacture, sell, ship, and deliver was included in that agreement and that thereafter said Havemeyer, Post, and Mollenhauer, pursuant to said agreement, from time to time, did meet, fix, and agree upon such quantities and percentages, as aforesaid, and caused their respective companies to conduct their business in conformity therewith?

Mr. THOMAS. I have no knowledge of any such arrangement.

The CHAIRMAN. As a director of the American Sugar Refining Co., would not an agreement of that sort come to the attention of its board of directors? Is ask you that as a director.

Mr. THOMAS. Not of necessity.

The CHAIRMAN. Not of necessity?

Mr. THOMAS. No.

The CHAIRMAN. Why not?

Mr. THOMAS. Well, Mr. Havemeyer carried on negotiations of that kind personally and independently.

The CHAIRMAN. Personally and independently, and without consulting his directors?

Mr. THOMAS. Not always.

The CHAIRMAN. And you do not remember in this particular instance that he did consult them?

Mr. THOMAS. No; I do not.

The CHAIRMAN. That is, if there was such an instance.

Mr. THOMAS. And I would almost testify to the fact that he did not.

The CHAIRMAN. That he did not consult you?

Mr. THOMAS. That he did not consult me. I know he did not, in fact.

The CHAIRMAN. Of course, as to whether a thing of that sort happened or not, you do not know?

Mr. THOMAS. I do not.

The CHAIRMAN. Now, do you remember anything about the acquisition of the W. J. McCahan Sugar Refining Co. by the National, because it occurred during the time you were a director?

Mr. THOMAS. No; I do not.

The CHAIRMAN. Of course, you have never been a director of the National?

Mr. THOMAS. I have not.

The CHAIRMAN. But the American has always been a large stockholder in the National?

Mr. THOMAS. We own one-half of the preferred stock.

The CHAIRMAN. You own a little over one-half of the preferred stock, do you not?

Mr. THOMAS. Yes.

The CHAIRMAN. And the validity of the common stock is very seriously assailed?

Mr. THOMAS. That is in doubt, I believe.

The CHAIRMAN. It is now in litigation?

Mr. THOMAS. Yes.

The CHAIRMAN. In the courts of New Jersey or New York?

Mr. FULLER. New Jersey.

The CHAIRMAN. While I am on that subject, has the American Sugar Refining Co. got anything to do with this suit in the courts of New Jersey in any way, in reference to the common stock of the National?

Mr. THOMAS. Well, I can only say as far as this: If the issue of that stock is illegal, it increases the value of their preferred stock, and to that extent they are in sympathy with it.

The CHAIRMAN. In sympathy with the plaintiffs?

Mr. THOMAS. Yes.

The CHAIRMAN. But that is not exactly what I mean, and I will say this to elaborate what you have said: If the result of that suit should be that the plaintiffs therein prevailed, then the common stock is invalidated, and there is nothing left but the preferred stock, of which the American holds a majority; and, of course, if the common stock is invalidated, the value of the preferred stock is very much enhanced—that is true, is it not?

Mr. THOMAS. Yes.

The CHAIRMAN. And besides that, the control of the company passes to the American?

Mr. THOMAS. Yes; if we still retain our stock.

The CHAIRMAN. If you still continue to own what you now own?

Mr. THOMAS. Yes; if we continue to hold that amount.

The CHAIRMAN. Now, under those circumstances, and with that situation confronting you, has the American had anything to do with the inauguration and prosecution of this suit in the chancery court of New Jersey?

Mr. THOMAS. I have had nothing to do with the instigation of the case whatever.

The CHAIRMAN. I know you have not, but I mean the American Sugar Refining Co.

Mr. THOMAS. I think all I can say is that they have been in sympathy with it, Mr. Chairman.

The CHAIRMAN. Well, did you procure the bringing of that suit, or promote it in any way?

Mr. THOMAS. All I can say is, they have been in sympathy with the suit.

The CHAIRMAN. Well, Mr. Thomas, I want to be just as courteous as I can, but I want an answer to the question. Of course I know that naturally your interests are in sympathy with the plaintiff, and I am not criticizing or drawing conclusions or inferences at present, but I want to know what the fact is.

Mr. FULLER. If he knows.

The CHAIRMAN. Of course, if he does not know, he can not tell. As a matter of fact, did the American have anything to do with the institution or prosecution of this suit in the chancery court of New Jersey?

Mr. THOMAS. Some of our directors have undoubtedly talked with Mr. Post about it, and what passed between them, what conversations, I do not know.

The CHAIRMAN. If you will pardon me, that is not exactly an answer to the question I tried to propound. I want to know whether the American Sugar Refining Co. had anything to do with the inauguration and prosecution of this suit in the chancery court of New Jersey.

Mr. THOMAS. I can only cover it in that way, Mr. Chairman. As far as I know, we have not instigated it.

The CHAIRMAN. So far as you know, then?

Mr. THOMAS. So far as I know, we have not instigated it.

The CHAIRMAN. Do you pay any of the attorneys' fees and expenses?

Mr. THOMAS. We have made no such agreement so far, as far as I know.

The CHAIRMAN. Have you had anything to do with the employment of counsel in that case?

Mr. THOMAS. Only through our own counsel, Mr. James M. Beck.

The CHAIRMAN. Well, then, through Mr. Beck, have you had anything to do with the employment of counsel for the plaintiffs?

Mr. CRAWFORD. Mr. Chairman, I think that is privileged. It seems to me you are getting into privileged communications now.

The CHAIRMAN. No; I am asking him about the conduct of the corporation. A corporation can only act through its agents.

Mr. CRAWFORD. But a corporation can claim the privilege of communication with counsel.

The CHAIRMAN. Gentlemen, you have heard the objection, and I will submit it to the committee. I am trying to find out from this witness whether the American Sugar Refining Co. has had anything to do with the prosecution of this suit, which would give to it, if successful, the control of the National Sugar Refining Co. I finally have asked the witness this question, Did he have anything to do, or his company, with the employment of counsel for the plaintiff in this suit in New Jersey? The witness started to say something about some communication with Judge Beck, and objection is made by

counsel that any communication that he had with Judge Beck on the subject of this suit is privileged—coming within the rule of a privileged communication between attorney and client.

Mr. MALBY. You say Mr. Beck is his counsel?

The CHAIRMAN. Yes; that is understood.

Mr. MALBY. Is he counsel for the American Sugar Refining Co. or Mr. Thomas's personal counsel?

Mr. THOMAS. Counsel for the American Sugar Refining Co.

Mr. CRAWFORD. Mr. Beck is general counsel for the American Sugar Refining Co. Mr. Thomas at the time mentioned was an officer and director of the American Sugar Refining Co. The point made is that any communication between Mr. Thomas and Mr. Beck at that time and in that behalf comes under the rule of privilege, which can only be waived by the corporation, and the corporation does not waive it.

Mr. RAKER. It seems to me, Mr. Chairman, that whatever the American Sugar Refining Co. does in these matters, in relation to the employment of counsel, showing their interest in the matter, has always, even in litigation, been permitted to be brought out.

The CHAIRMAN. I will state to the committee the ruling of the Chair——

Mr. HINDS (interposing). One minute, Mr. Chairman, before you rule. I am not a lawyer, and may I ask the lawyer what is the source of this rule of privilege which he brings out? I should object to the lawyers setting up any rule of their own against the power of the House of Representatives to inquire into anything within its purview.

The CHAIRMAN. I will make this statement of the case to the committee, in order that we may all understand it. The rule that the gentleman invokes is one applicable, of course, to any court of justice, and probably, to some extent, even to a congressional committee, that communications between an attorney and his client are privileged, and if the question went to the extent of finding out what the details of that communication were, I should be inclined to sustain the objection. But the question I have asked this witness is as to the conduct of the American Sugar Refining Co. in reference to the employment of counsel. Now, if it has, through its counsel, Judge Beck, gone out and hired counsel in this case, the fact that it has done so through that agent, I think, is perfectly proper for the committee to go into, although the details of the communication or consultation on that subject with counsel would probably be privileged.

Mr. HINDS. Well, Mr. Chairman, on the present state of my information, I would want to enter an objection against any privilege of that sort interfering with the absolute power of the House of Representatives to make inquiry when it has the right to make such inquiry.

The CHAIRMAN. I rather think, Mr. Hinds, that that objection is not involved, because the ruling of the Chair is in favor of the contention you make, for the present, at least; but I will pursue the inquiry further, if you want to.

Mr. HINDS. Oh, no.

The CHAIRMAN. I do not want to inquire as to what he told Judge Beck or the details of the correspondence between them, but whether or not the company acted through Judge Beck in securing counsel

in this case. It seems to me this is a great factor in monopolizing interstate trade, if they get control of this National Co., which is probably its largest single competitor. And if these gentlemen are reaching out through any agent to secure control of this company, I think we ought to know it; and if they are not reaching out, we ought to know that, too.

Mr. JACOWAY. Mr. Chairman, it seems to me it is right in line with the resolution of the House.

Mr. CRAWFORD. This question as to the validity of the common stock of the National, with all that flows from it, was first raised by Henry S. Wise, United States attorney for this district, in the petition filed by him in the dissolution suit brought by the Government against the American Sugar Refining Co., and he has distinctly raised the issue there in that suit as to the validity of this stock, to which demurrers have been filed. Now, it was in consequence of that suit that this thing came to light and that the suit was brought, as I am informed, and as has been stated by various of the plaintiffs over there in their affidavits. It was Mr. Wise, in other words, for the Government, who brought this suit.

The CHAIRMAN. Well, Judge, that would not affect the duty and the obligation of this committee to the House of Representatives and to the people of the United States. The fact that a court proceeding is pending, as I have ruled repeatedly during this investigation, by no means precludes the right of the representatives of the people.

Mr. CRAWFORD. I do not claim it does, but I simply want to call your attention to the fact that so far from this suit having been brought in furtherance of a monopoly, it was brought in furtherance of the Government's contention, first started by Mr. Wise.

The CHAIRMAN. Of course, there are a good many angles from which that could be looked at. In the first place, if this common stock is invalid, nobody could blame anyone who is a preferred stockholder from sympathizing with or aiding the contention; but from the angle in which we are interested, namely, how does it affect sugar conditions, or conditions in interstate trade in sugar, and for that reason I will have to ask the witness to answer the question.

Now, Mr. Thomas, you need not go into any communications or details of any talk or correspondence between your attorney and yourself, but I want to know whether the American, through its attorney, or through anybody else, had anything to do with the employment of counsel, or had anything to do with this suit in the chancery court of New Jersey.

There is no objection to that ruling, is there, gentlemen?

Mr. MADISON. Your ruling is absolutely correct; we have not asked for any communication between counsel and client. The direction to bring a suit is not a communication between counsel and client.

Mr. THOMAS. I would like to say that when this suit was begun I was in Cuba, and the origin of the suit, in itself, I do not know. It was begun in my absence; and the matter was not touched upon before I left, to the best of my knowledge and belief, and my connection with it, as far as I know—and this is the whole matter—is that I went up to Mr. Beck's office when I returned and was made acquainted with more of the details of this suit, and in his office was a Mr. Lindabury, whom, I understood, was hired by the plaintiffs in

the case. I took no part in the conversation, because it was an entirely legal discussion about which I knew nothing whatever.

The CHAIRMAN. Does the American Sugar Refining Co. pay any part of the expenses of that suit, Mr. Thomas?

Mr. THOMAS. Well, I do not know. I do not know of any agreement.

The CHAIRMAN. Who would know about that?

Mr. THOMAS. I do not know that any understanding has been reached in regard to that point; it may be or it may not be; I do not know.

The CHAIRMAN. Who could tell us about that?

Mr. THOMAS. Well, I think Mr. Atkins could tell you that.

The CHAIRMAN. Mr. Edwin F. Atkins?

Mr. THOMAS. Yes.

The CHAIRMAN. Is he in the city now?

Mr. THOMAS. He is in the city to-day.

The CHAIRMAN. Then, so far as your knowledge extends, outside of sympathy, the American Sugar Refining Co. has neither inaugurated, aided, or abetted this suit in any way?

Mr. THOMAS. Well, I have told you all I know, Mr. Chairman; the whole thing as to my connection with it, but I—well, that is all; I want to end there.

The CHAIRMAN. Why did Judge Beck explain to you the details of this suit?

Mr. CRAWFORD. I object to that.

The CHAIRMAN. Well, I will not raise that question, because it is not important. The committee does not concede that we are bound by——

Mr. CRAWFORD (interposing). Not by the general rules of privilege?

The CHAIRMAN. No.

Mr. MADISON. You do not? Of course, I am at issue with my friend Hinds, but of the decided opinion——

The CHAIRMAN (interposing). I want to leave the question open.

Mr. MADISON (continuing). That we can not violate the rule as to communications between client and counsel any more than we can the relations of husband and wife; they are based on the same thing; it is a matter of public policy.

The CHAIRMAN. Those two things are entirely different; they do not relate to the same thing.

Mr. MADISON. Well, the rule is the same and incorporated into our law for the same reason. However, I do not think this question is objectionable, Mr. Chairman. You asked him why he was telling him, not what the communication was.

The CHAIRMAN. Well, I think we all know without asking the question, and that is the reason I did not insist on the question, even if I could get at it in another form and avoid the objection counsel raises; but I think we all know; it is a matter of inference, and we can draw our inference as well as the witness.

Do you know what percentage or can you approximate——

Mr. RAKER (interposing). Before you leave that question I want to understand whether you have definitely determined that we can not go into that matter?

The CHAIRMAN. No. The only reason in the world why I did not press it was because I wanted to think about it a little further, and then, again, this witness says he does not know a thing about it. Later on, and at another period in this investigation, it will certainly be up and we will have to dispose of it. I did not want to foreclose it until we get to it.

Now, as a matter of fact, do you not know that on September 6, 1898, at a time when you were a member of the board of directors of the American Sugar Refining Co., a resolution by that board was adopted, appointing "Henry O. Havemeyer, Charles H. Senff, and Washington B. Thomas as a committee to purchase and acquire for that company"—that is, for the American Sugar Refining Co.—"the factories of any and all independent companies engaged in the business, trade, and commerce"—interstate trade, I mean, and commerce in refined sugar in the United States—"and to pay therefor any price and upon any terms that they, in their discretion, might see fit, and at the same time they appointed said Havemeyer, Senff, and Thomas as a special committee to fix and determine at what price refined sugar should be sold throughout the several States and Territories of the United States?"

Mr. CRAWFORD. The resolution to which your question has reference is in the record, and, therefore, it seems to me only fair that the witness should be shown the resolution.

The CHAIRMAN. If you have a copy of the resolution show it to him.

Mr. CRAWFORD. It is printed in the record. I think you put it in, Mr. Chairman.

The CHAIRMAN. Mr. Madison put it in, I think, and it was put in just before Mr. Lowell M. Palmer's testimony. I think that is a fair proposition, and I will read the resolution to him in order to refresh his memory. I invite your attention to this resolution of the board of directors of the American Sugar Refining Co., being from page 295 of the record, and the testimony of one of the board of directors of the American Sugar Refining Co.: "On motion, a special committee, consisting of the president"—Havemeyer was president, was he not?

Mr. THOMAS. At that time; yes.

The CHAIRMAN (reading). "Vice president"—Senff was the vice president?

Mr. THOMAS. I think so.

The CHAIRMAN (reading):

> And Mr. Thomas were appointed to fix the price of refined sugars. They were authorized, in their discretion, to make the price of granulated not less than three-eighths above the price of centrifugals of 96 degrees tests, other refined sugars to correspond. They were authorized and empowered to purchase for account of the company the whole or any portion of outside refineries at a price and upon terms to be fixed by them in their discretion.

Do you remember that resolution?

Mr. THOMAS. I have no doubt that is correct.

The CHAIRMAN. Did you carry out that resolution?

Mr. THOMAS. I do not remember that the committee ever met; I do not think they ever acted under that authority.

The CHAIRMAN. Did Mr. Havemeyer act without the committee?

Mr. THOMAS. Well, I am inclined to think that very likely he did; the committee itself never acted, to the best of my recollection.

The CHAIRMAN. The committee at that time was empowered to fix the price of refined sugars, was it not?

Mr. THOMAS. To fix the price of their own sugars.

The CHAIRMAN. And they were authorized, as a special committee of the board of directors, to purchase all of their competitors, if they could, were they not?

Mr. THOMAS. No; I do not understand it so. To purchase all their competitors?

The CHAIRMAN. Outside refineries. Would not an outside refinery be a competitor of the American Sugar Refining Co.?

Mr. THOMAS. Oh, yes. If that is in the record there that is undoubtedly correct.

The CHAIRMAN (reading):

The whole or any portion of any outside refineries at a price and upon terms to be fixed by them in their discretion.

Mr. THOMAS. Well, as long as it is there I have no desire to deny it.

The CHAIRMAN. You would not dispute that extract from your minutes?

Mr. THOMAS. No; not at all.

The CHAIRMAN. That was as late as 1898?

Mr. THOMAS. If that is the date there, I am satisfied to take your word for it.

The CHAIRMAN. Did you ever hear of the New York Sugar Refining Co.?

Mr. THOMAS. I merely knew there was such a one.

The CHAIRMAN. Do you know what became of it?

Mr. THOMAS. I believe it is still in operation.

The CHAIRMAN. It is now owned by the American Sugar Refining Co., is it not?

Mr. THOMAS. It is owned by the National, I think.

The CHAIRMAN. The National?

Mr. THOMAS. I think so.

The CHAIRMAN. In which the American Sugar Refining Co. owns a majority of the preferred stock?

Mr. THOMAS. Yes.

The CHAIRMAN. It was one of the constituent companies of the National, was it not?

Mr. THOMAS. I believe it went into the combination of the National.

The CHAIRMAN. The Mollenhauer Sugar Refining Co. was one of the constituent companies of the National?

Mr. THOMAS. So I believe.

The CHAIRMAN. What other constituent companies were there of the National?

Mr. THOMAS. I do not remember every one; I can not tell you.

The CHAIRMAN. Well, the New York Sugar Refining Co. was one, was it not?

Mr. THOMAS. Yes.

The CHAIRMAN. The Mollenhauer Sugar Refining Co. was one?

Mr. THOMAS. Yes.

The CHAIRMAN. The National was one?

Mr. THOMAS. Yes.

The CHAIRMAN. And the McCahan Sugar Refining Co. was another?

Mr. THOMAS. Well, that was in Philadelphia.

The CHAIRMAN. The National Co. acquired a part of their company?

Mr. THOMAS. Acquired a small interest.

The CHAIRMAN. A third, was it not?

Mr. THOMAS. I do not know.

Mr. CRAWFORD. Twenty-five per cent.

The CHAIRMAN. A fourth, was it not?

Mr. THOMAS. I do not know.

The CHAIRMAN. Do you know what amount they acquired?

Mr. THOMAS. No; I have no personal knowledge.

The CHAIRMAN. Do you know under what terms they acquired these various companies?

Mr. THOMAS. I do not.

The CHAIRMAN. Well, now, Mr. Thomas, do you remember when the first great sugar war came on between Mr. Havemeyer, representing the American Sugar Refining Co., and Spreckels, out on the coast?

Mr. THOMAS. No; I am not familiar with that.

The CHAIRMAN. Well, you were a member of the board of directors, were you not?

Mr. THOMAS. I am not especially familiar with that.

The CHAIRMAN. You know something about it?

Mr. THOMAS. Very little.

The CHAIRMAN. What do you know about it?

Mr. THOMAS. Well, almost nothing; I might say almost nothing about it.

The CHAIRMAN. Well, the American Sugar Refining Co. bought out Spreckels's Philadelphia concern, did it not?

Mr. THOMAS. Yes.

The CHAIRMAN. Do you know what it paid for it?

Mr. THOMAS. I do not know.

The CHAIRMAN. Could you verify the figures if you heard them?

Mr. THOMAS. I would take your statement as to the figures; but I could not verify them of my own knowledge.

The CHAIRMAN. Was that transaction submitted to the board of directors of the American Sugar Refining Co.?

Mr. THOMAS. I believe it was. I think it is in the——

Mr. CRAWFORD (interposing). That was before the witness was a director; that was in 1891 and 1892.

The CHAIRMAN. Oh, no.

Mr. CRAWFORD. Well, pardon me. The bill in the Knight case was filed in 1892.

The CHAIRMAN. I mean Spreckels, of California.

Mr. CRAWFORD. Beet sugar, you mean?

The CHAIRMAN. I mean old man Claus Spreckels.

Mr. CRAWFORD. You mean when they went into the Western? That was in 1891.

The CHAIRMAN. Do you remember in a general way that there was a great sugar war between old man Claus Spreckels and Havemeyer?

Mr. THOMAS. Well, I know that there was a great deal of fighting; yes.

The CHAIRMAN. When was that—do you remember?

Mr. THOMAS. I can not give you the date. I would like to say, Mr. Chairman——

The CHAIRMAN (interposing). Do you know the terms on which the American Sugar Refining Co. bought out the Spreckels Co. in Philadelphia?

Mr. THOMAS. No; I do not.

The CHAIRMAN. Could you give us those terms after refreshing your memory from the records of your company?

Mr. THOMAS. From the records I think I could.

The CHAIRMAN. Please make a memorandum of that, Mr. Crawford. Do you know how this sugar war between Spreckels and the American Sugar Refining Co., or Havemeyer, was settled?

Mr. THOMAS. How it was settled.

The CHAIRMAN. Yes.

Mr. THOMAS. No; I do not.

The CHAIRMAN. It was settled, was it not?

Mr. THOMAS. Well, they gave up losing money, and I suppose they got tired of it.

The CHAIRMAN. Got tired of losing money and came together, did they not?

Mr. THOMAS. Yes. I do not know that they came together; I would not say that.

The CHAIRMAN. Well, they came together to the extent of the American Sugar Refining Co. buying out a half interest in everything Spreckels had?

Mr. THOMAS. You are speaking of California now?

The CHAIRMAN. Yes.

Mr. THOMAS. Yes; as far as that goes.

The CHAIRMAN. They came together to that extent at least?

Mr. THOMAS. Yes; that is correct.

The CHAIRMAN. Mr. Thomas, we have heard a great deal of testimony during the progress of this investigation about the the conduct of the American Sugar Refining Co. with reference to the acquisition of the Pennsylvania Sugar Refining Co. This is in the record and therefore I state it as a fact, that you and your fellow directors are under indictment in the Federal court for alleged conduct in connection with that transaction, and I believe it is the sentiment of the committee that we should not ask you any specific questions about that; at the same time, if you would care to give to the committee or to the public any information on that subject we would be glad to have it.

Mr. FULLER. I have advised the witness that it is better that he should not give any such statement.

The CHAIRMAN. Because he is facing trial?

Mr. FULLER. Because of the indictment that is pending.

The CHAIRMAN. We recognize the propriety of that objection; we have talked it over, but we thought there might be some things he might want to say. Does the American Sugar Refining Co. own any interest in the Cuban Sugar Co.?

Mr. THOMAS. None whatever.

The CHAIRMAN. Either directly or indirectly?

Mr. THOMAS. No, sir.

The CHAIRMAN. Or in the Hawaiian-California Co.?

Mr. THOMAS. Not to my knowledge; I do not think they own anything there.

The CHAIRMAN. Do you know whether the Havemeyers own anything in the California-Hawaiian Co. or not?

Mr. THOMAS. I do not know that.

The CHAIRMAN. Mr. Thomas, you remember when the war broke out with Arbuckles, do you not?

Mr. THOMAS. I do not remember the date.

The CHAIRMAN. Well, you remember the fact?

Mr. THOMAS. Yes.

The CHAIRMAN. Will you tell us the cause of the war between the American Sugar Refining Co., or Havemeyer, and the Arbuckles?

Mr. THOMAS. Well, I only know it by hearsay.

The CHAIRMAN. You have pretty good informatioin on the subject?

Mr. THOMAS. Well, I only know it by hearsay.

The CHAIRMAN. Tell us what you know about it.

Mr. THOMAS. Well, the Arbuckles, as I understand it, wished to get a discount and allowance on their purchases of sugar and Mr. Havemeyer would not allow it, as I understand.

The CHAIRMAN. Let me catch that again. The Arbuckles wished to get——

Mr. THOMAS (interposing). To get some extra discount.

The CHAIRMAN. On the sugar they used in connection with their coffee business?

Mr. THOMAS. Yes; and Mr. Havemeyer would not allow it. That is the understanding I have of it, of the origin of that trouble. You know my zone of activity was confined to New England entirely, and a great many of these things are hearsay.

The CHAIRMAN. This war broke out somewhere in the year 1904—in the fall of 1904?

Mr. THOMAS. I should think probably that is it; I do not recollect the date.

Mr. CRAWFORD. No; in 1898.

The CHAIRMAN. Yes; that is right. When did it end?

Mr. THOMAS. I can not tell you that.

The CHAIRMAN. Now, you know in a general way—we are not asking you for your precise knowledge, your first-hand knowledge, as if you were testifying in court—the cause of the war.

Mr. THOMAS. Well, that is the only cause that I know. You understand that Mr. Arbuckle bought a great deal of refined sugar from us; I think he asked for a special allowance and Mr. Havemeyer would not give it to him.

The CHAIRMAN. After Mr. Havemeyer would not give it to him, what did he do then?

Mr. THOMAS. I think he went ahead to build a refinery of his own.

The CHAIRMAN. He went into the sugar-refining business himself?

Mr. THOMAS. Yes; he did.

The CHAIRMAN. Did Havemeyer retaliate by going into the coffee business?

Mr. THOMAS. He went into that business; yes.

The CHAIRMAN. Where? St. Louis?

Mr. THOMAS. Toledo.

The CHAIRMAN. Toledo, Ohio, was it?

Mr. THOMAS. Yes.

The CHAIRMAN. How long did Havemeyer stay in the coffee business? Did he go into that business, or was it the American Sugar Refining Co.?

Mr. THOMAS. It was the American Sugar Refining Co.

The CHAIRMAN. How long did the American Sugar Refining Co. continue in the coffee business?

Mr. THOMAS. I think several years; a number of years.

The CHAIRMAN. It has been out of that business about five years, has it not?

Mr. THOMAS. It has been out about three years.

The CHAIRMAN. But it has not been operating its plant for five years?

Mr. THOMAS. Well, that I could not tell you.

The CHAIRMAN. It has been out of that business, or out of the manufacturing business, for more than three years, has it not?

Mr. THOMAS. I do not remember the date when the business was closed down.

The CHAIRMAN. I am not asking you for the exact date.

Mr. THOMAS. That I can not tell you.

The CHAIRMAN. I am asking you substantially.

Mr. THOMAS. Well, I might say from three to five years.

The CHAIRMAN. Since you have been out of the coffee business has there been any war between yourself and the Arbuckle New York company?

Mr. THOMAS. Well, to use an expression used by one of the witnesses, which I thought was a good one, there has been armed neutrality.

The CHAIRMAN. You have not been exactly neutral, have you?

Mr. THOMAS. Yes.

The CHAIRMAN. To say there was a sort of armistice would be better than to say there was armed neutrality, would it not? In other words, you were sleeping on your arms on the battle field; is not that the idea?

Mr. THOMAS. It might be that. They all got tired, undoubtedly, of losing money, and without any agreement or anything of that kind, the fierce cutthroat war came to an end.

The CHAIRMAN. You did get together, as a matter of fact? You know that from conversations with Mr. Havemeyer, do you not? Did Mr. Havemeyer and Mr. Arbuckle have a conference?

Mr. THOMAS. I imagine they had undoubtedly seen each other.

The CHAIRMAN. You do not know what they said?

Mr. THOMAS. Not to my knowledge, do I know. I saw them once at Mr. Havemeyer's house.

The CHAIRMAN. Just before this war ended?

Mr. THOMAS. I do not know whether it was just before the war ended or not.

The CHAIRMAN. How soon after that did the war end?

Mr. THOMAS. I can not tell you.

The CHAIRMAN. Well, approximate it.

Mr. THOMAS. I do not know whether it was six months or two years; I could not tell you.

The CHAIRMAN. You could not approximate it at all?

Mr. THOMAS. I could not approximate it at all; no.

The CHAIRMAN. Well, did you have any conversation with Mr. Havemeyer about this war?

Mr. THOMAS. No; not especially; no.

The CHAIRMAN. The war had ended before he died, had it not?

Mr. THOMAS. Yes; the extreme cutthroat competition had ended before he died.

The CHAIRMAN. Well, that is what I mean.

Mr. THOMAS. I would put it that way.

The CHAIRMAN. What sort of competition have you with them now?

Mr. THOMAS. Well, we have close competition.

The CHAIRMAN. It is competition for business, though, rather than by cutting prices, is it not? They follow your prices, do they not?

Mr. THOMAS. Well, they follow them generally, I think; yes.

The CHAIRMAN. And you no longer grind coffee or roast it, or whatever it is you call it?

Mr. THOMAS. No.

The CHAIRMAN. What percentage of the sugar-refining business of the country—that is, in the United States—does the American Sugar Refining Co. control?

Mr. THOMAS. I can not give you that. I think you have all of that in the record, from evidence given by Mr. Atkins.

The CHAIRMAN. Do you adopt those figures? You think he gave them correctly?

Mr. THOMAS. Yes.

The CHAIRMAN. In every detail?

Mr. THOMAS. Yes. He got them up with a great deal of pains and care.

The CHAIRMAN. Both as to your interest in beet sugar and your other refineries?

Mr. THOMAS. Yes, sir.

The CHAIRMAN. Did you read Mr. Atkins's testimony pretty carefully?

Mr. THOMAS. I read it.

The CHAIRMAN. Did you read it carefully?

Mr. THOMAS. I do not know how carefully, but I read it.

The CHAIRMAN. Did you read over his statement about prices in this country and abroad?

Mr. THOMAS. Yes.

The CHAIRMAN. And about refiners' margin of profit?

Mr. THOMAS. Yes.

The CHAIRMAN. Well, you have had long and expert experience in the business. Do you agree with the statement as submitted?

Mr. THOMAS. Agree with what particular statement?

The CHAIRMAN. I mean about prices of both raw and refined sugar in New York—in Hamburg—the refiners' margin of profit and all those things?

Mr. THOMAS. Yes; those are matters of record.

The CHAIRMAN. They were taken from Willett & Gray's figures, were they?

Mr. THOMAS. I do not know, but I think perhaps they were Willett & Gray's.

The CHAIRMAN. Of course, the refiners' margin of profit was not taken from Willett & Gray's figures?

Mr. THOMAS. No; possibly not. I do not know.

The CHAIRMAN. That was taken from the books of your company, was it not?

Mr. THOMAS. I do not know where he got that.

The CHAIRMAN. But you are sure they are accurate?

Mr. THOMAS. I think that any statement he made would be accurate.

The CHAIRMAN. You think that any statement he made would be accurate?

Mr. THOMAS. Yes.

Mr. CRAWFORD. You would not hold him to any precise figure without showing it to him?

The CHAIRMAN. No; I would not. I was, in a general way, endeavoring to ascertain whether he concurred, in order to save time.

Mr. CRAWFORD. You know that Mr. Atkins has made some corrections himself, especially in regard to foreign prices, which the witness may not have seen. I gave you a letter——

The CHAIRMAN (interposing). Which I put in the record.

Mr. CRAWFORD (continuing). Which I do not know whether the witness has seen or not. That letter quite materially modifies some of the statements made by Mr. Atkins. Mr. Atkins has been asked to give a lot of information in detail about foreign prices, which is in preparation, and which has not as yet gone into the record. I do not know how far it may modify the general statements.

The CHAIRMAN. I am not trying to trap the witness at all.

Mr. CRAWFORD. I understand.

The CHAIRMAN. I wanted to save time, and did not want to go over all of these things with him. Mr. Thomas, is the Federal Sugar Refinery Co. an actual competitor of yours?

Mr. THOMAS. It is.

The CHAIRMAN. Do they follow your prices generally?

Mr. THOMAS. Well, generally, but not always, by any means; they do a great deal of cutting now and then, and up and down.

The CHAIRMAN. They do not do any more than you do, do they?

Mr. THOMAS. Do any more what?

The CHAIRMAN. Any more cutting than you do?

Mr. THOMAS. Well, they change their prices a great deal, Mr. Chairman; yes, they do.

The CHAIRMAN. And sometimes they cut under you, as I understand you?

Mr. THOMAS. Yes.

The CHAIRMAN. Do you ever cut under them?

Mr. THOMAS. No.

The CHAIRMAN. You never cut under them?

Mr. THOMAS. No.

The CHAIRMAN. In other words, they are always the aggressors, are they?

Mr. THOMAS. Well, I would rather put it that we have to hold an umbrella over them.

The CHAIRMAN. What do you mean by that?

Mr. THOMAS. I mean that these larger concerns are all in a very unfortunate position, in a way. They have such a large capacity, while these smaller houses have a small capacity. A large company can not keep its refineries working full on account of the extensive

capacity in this country, and small houses can cut prices, and do cut prices, and keep their houses running full, consequently reducing the cost of refining very much. And that is what I have reference to.

The CHAIRMAN. Mr. Thomas, although you were a part of this committee of three that was appointed to buy in outside refineries, you do not know what was done, if anything, in pursuance of that resolution?

Mr. THOMAS. No; I do not.

The CHAIRMAN. Do you know what was done in relation to the competition of the beet-sugar interests?

Mr. THOMAS. No; I do not.

The CHAIRMAN. Did you have any general knowledge of that?

Mr. THOMAS. I think Mr. Havemeyer used to report the situation, and then the executive committee would always indorse what he said.

The CHAIRMAN. Outside of what the minutes of the executive committee and directors would disclose in relation to the acquisition of the beet-sugar interests, have you any knowledge?

Mr. THOMAS. No; I have no knowledge or memory; I would rather put it, no recollection of anything.

The CHAIRMAN. Has the American Sugar Refining Co. any lands in Cuba?

Mr. THOMAS. It has not.

The CHAIRMAN. No interests of any sort in Cuba?

Mr. THOMAS. No, sir.

The CHAIRMAN. Any in the Philippines?

Mr. THOMAS. None whatever.

The CHAIRMAN. Any in Louisiana?

Mr. THOMAS. No.

The CHAIRMAN. No sugar lands?

Mr. THOMAS. No.

The CHAIRMAN. In Porto Rico?

Mr. THOMAS. No.

The CHAIRMAN. Nowhere else has it any interest except its interest in refining?

Mr. THOMAS. Not in any foreign country.

The CHAIRMAN. Except, of course, its stock in other corporations?

Mr. THOMAS. We have no stock in foreign corporations.

The CHAIRMAN. No; but you have stock in beet-sugar companies?

Mr. THOMAS. Yes. I thought you had reference to foreign corporations.

The CHAIRMAN. Are there any other companies in which the American Sugar Refining Co. has any stock outside of stock in the beet-sugar companies?

Mr. THOMAS. You mean sugar companies or anything else?

The CHAIRMAN. Anything else?

Mr. THOMAS. Well, we have a cooperage company, of which Mr. Palmer is president.

The CHAIRMAN. About which Mr. Palmer testified?

Mr. THOMAS. Yes; Mr. Palmer is president of it.

The CHAIRMAN. Have you any stock in anything else outside of the Brooklyn Cooperage Co., and one or two allied corporations, in a small railroad, I think, and the beet-sugar companies?

Mr. THOMAS. Nothing that I can recall at the present time; I have no recollection of anything at all.

The CHAIRMAN. Do you know who Willett & Gray are?

Mr. THOMAS. Yes. They are very old and highly reputable brokers and sugar statisticians in New York.

The CHAIRMAN. What are their present relations to the American Sugar Refining Co.?

Mr. THOMAS. Well, those of statisticians, but they are no more statisticians for us than for anybody else, however. They go to a great deal of expense to get information; they are compilers of figures.

The CHAIRMAN. From all over the world on sugar?

Mr. THOMAS. Yes.

The CHAIRMAN. Are their relations closer with your company than with any other refinery?

Mr. THOMAS. Not that I know of.

The CHAIRMAN. Not that you know of?

Mr. THOMAS. No.

The CHAIRMAN. It has been testified to during the progress of this hearing, and it is in the record, that when Mr. Havemeyer, as president of the American Sugar Refining Co., undertook to invade the beet-sugar territory and acquire at least a part of the beet-sugar interests he sent Mr. Willett as his agent—do you know anything about that?

Mr. THOMAS. That may be true; I think very possibly it is true; I was so informed by Mr. Palmer, but I never knew it until that time. I think that very likely that is correct.

The CHAIRMAN. That would seem to indicate, would it not, a rather close relationship between the American Sugar Refining Co. and Willett & Gray?

Mr. THOMAS. Well, I do not know. Mr. Willett was a very reliable and trustworthy man.

The CHAIRMAN. An expert on sugar?

Mr. THOMAS. Yes; on sugar statistics and figures.

The CHAIRMAN. Did he know anything about the practical business of beet sugar except in a statistical way?

Mr. THOMAS. No; I do not think he did.

The CHAIRMAN. Why was it, then, that he should have been selected for that sort of work?

Mr. THOMAS. Well, he had general information about the sugar business, and that would be of advantage to him in the matter.

The CHAIRMAN. Does he now have any particular employment or retainer from the American Sugar Refining Co.?

Mr. THOMAS. He gets, I believe, $1,000 a year. That $1,000 is a subscription to his paper and for the advertisement we put in. We think it is a very valuable publication.

The CHAIRMAN. In other words, that is the contribution of the American Sugar Refining Co. to keep this valuable trade journal alive?

Mr. THOMAS. Well, to a certain extent. I do not know whether he could keep it alive without us or not, but I think he could perfectly well.

The CHAIRMAN. But that is your contribution to the cause?

Mr. THOMAS. Yes.

The CHAIRMAN. For the publication and for the advertisement you have in it?

Mr. THOMAS. Yes.

The CHAIRMAN. What is the advertisement worth, under ordinary conditions?

Mr. THOMAS. Well, I do not know how much their rates are; they are probably much higher than that of a newspaper which comes out every day. They have a very limited circulation and only publish once a week, so their rates would probably be higher than they would ordinarily.

The CHAIRMAN. You do not even know what their rates are?

Mr. THOMAS. No; I do not know what their rates are per line; I have no idea.

The CHAIRMAN. Here is a schedule handed me by a gentleman giving their advertising rates. Please examine it, and then examine the advertisement of the American Sugar Refining Co. in it, and tell me, according to this schedule, what that advertisement would cost you.

Mr. GARRETT. Is that the one that tells about the bugs in raw sugar?

Mr. THOMAS. No; I do not think so. It is on page 242. Let us figure this thing out.

The CHAIRMAN. Yes; I will give you plenty of time.

Mr. THOMAS. No; it is not there.

The CHAIRMAN. I do not see it here.

Mr. THOMAS. I doubt if it is in this number.

Mr. RAKER. Is not that it on the page you just turned over there—on the bottom of the page, "use refined sugar"?

Mr. THOMAS. I do not know whether this is put in by our company or not. I can not say, Mr. Raker.

The CHAIRMAN. I notice on page 254 is a statement of something about the American Sugar Refining Co. I do not know whether that is news or an advertisement.

Mr. THOMAS. They are not paged alike, but this [indicating] is our advertisement.

Mr. FULLER. The name is not signed to it.

Mr. GARRETT. That is one that tells about the bugs?

Mr. THOMAS. Yes.

The CHAIRMAN. Apply those rates to it and tell us what the advertising rate is.

Mr. MADISON. I would like to know if the picture in the New York World this morning is a correct picture of that bug? [Laughter.]

Mr. FULLER. Mr. Chairman, may I answer that question for him?

The CHAIRMAN. Suppose you answer it and he can adopt your answer.

Mr. FULLER. The advertisement is 4 by 6, about, and the advertising rate for 12 months is $280.

The CHAIRMAN. It figures $280 for the advertisement?

Mr. FULLER. Yes; that is a 4 by 6. I have not made the estimate on this space yet; that is, I have not got a space that fits this advertisement. The advertisement put down in the advertising rates is 4 by 6; that is, this space covered by this advertisement is approximately 5 by 8, as measured by the stenographer's book, which he tells

me is 5 inches across. If you measure 5 inches across, that is one-eighth of an inch over.

The CHAIRMAN. Figured out on that basis, what is it—$280?

Mr. FULLER. No; $280 is for 4 by 6. This would be about $400.

The CHAIRMAN. The figure is based on the published rates?

Mr. FULLER. Yes.

Mr. RAKER. That is the one that refers to the bugs?

The CHAIRMAN. Do you adopt that answer, Mr. Thomas?

Mr. THOMAS. Yes; but I would like to say this, that we do not by any means claim that the value which that paper is to us is in the advertisement.

The CHAIRMAN. Oh, no.

Mr. THOMAS. Because we are only too glad to pay a little more for the continuation of such a valuable trade journal.

The CHAIRMAN. Gentlemen, I have concluded now the direct examination of this witness, and before I turn him over to the committee I want to make this announcement:

The sessions of the committee in this city will be from 10 o'clock a. m. to 1 o'clock p. m., with an hour's recess for lunch, then from 2 o'clock p. m. to 4.30 o'clock p. m., until further notice. When we meet again at 2 o'clock this afternoon, we will meet at the room of the United States Circuit Court of Appeals in the Post Office Building, which has been arranged for us.

Mr. RAKER. Have witnesses been subpœnaed to be here?

The CHAIRMAN. Yes; but they will take notice that we have changed the place of the hearing. We will reconvene at 2 o'clock in the circuit court of appeals court room.

Mr. FULLER. It is room 124, Mr. Chairman.

The CHAIRMAN. Mr. Thomas, Mr. Garrett will conduct the further examination at this time.

Mr. GARRETT. Mr. Thomas, do you know whether or not other refining companies contribute in like manner to the support of this trade journal of Willett & Gray?

Mr. THOMAS. No; I do not, Mr. Garrett.

Mr. GARRETT. You have no information on that subject?

Mr. THOMAS. No; none whatever.

Mr. GARRETT. And whether the beet-sugar people do?

Mr. THOMAS. No; I do not know.

Mr. GARRETT. Have you any idea as to the subscription list or the size of the subscription list of the paper?

Mr. THOMAS. No; I have not.

Mr. GARRETT. It is not probable the subscription list at all or anywhere near supports the paper, I presume?

Mr. THOMAS. I should imagine the subscribers would be relatively few for a paper of that nature.

Mr. GARRETT. It is a technical journal?

Mr. THOMAS. Yes.

Mr. GARRETT. And comparatively few, except the refiners and manufacturers of beet sugar and perhaps the manufacturers on a somewhat large scale of raw-cane sugars in Louisiana would be interested in that journal?

Mr. THOMAS. And the grocers, a great many of them, take it.

Mr. GARRETT. The wholesale grocers?

Mr. THOMAS. Yes; a good many of them.

Mr. GARRETT. You say this is an advertisement which the American Sugar Refining Co. runs, the one headed "What are raw sugars?" and closing with advice to the public to use only refined sugars?

Mr. THOMAS. Yes.

Mr. GARRETT. And giving what purports to be an analysis of raw sugars by a public analyst of the city of Dublin, stating that there are some very formidable and dangerous insects in that raw sugar. Do you know as a matter of fact whether that is true, Mr. Thomas?

Mr. THOMAS. I am not a technical man; I can not tell you whether that is correct. I have no reason to believe it is not correct.

Mr. GARRETT. I will say that it was testified before this committee on yesterday by a large manufacturer of raw cane sugar in Louisiana that, according to his best judgment, it would be absolutely impossible for that particular insect, whose name I will not undertake to mention here, to live; that this insect is a cane insect and lives in the cane itself, and after that is ground and the sirup is placed in the process of manufacture it is brought to such a state of heat that it would be absolutely impossible for the insect life to continue.

Mr. THOMAS. That is a technical matter, Mr. Garrett, about which I can not enlighten you.

Mr. GARRETT. It is a somewhat important matter, Mr. Thomas, as bearing upon the use of certain characters of raw sugar by the public. There are raw sugars produced, so this committee has learned, of a very high grade, that grade 98 or 99 per cent pure, perhaps, and those sugars for all practical purposes are, according to the opinion I have gotten from the testimony, quite as good for use as the standard granulated.

Mr. THOMAS. Yes.

Mr. GARRETT. But if the public is made to believe that there is danger of these things getting into it that are mentioned in this article, it would have a very considerable influence on the use of that character of sugar by the public; and if that is not correct, if it is not true in fact, I will say frankly I do not think that sort of advertising ought to be put out.

Mr. THOMAS. I quite agree with you. I assume it is true, but even if it is true I do not think much of it, and I never read it until to-day. I think very little of it. I think it is a poor piece of business. I do not know who inspired that form of advertisement. I have no idea.

Mr. GARRETT. That is the only advertisement that your company is carrying in this journal, is it?

Mr. THOMAS. I think so.

Mr. GARRETT. Do you think that is paid for wholly by your company, or do you suppose other refiners help?

Mr. THOMAS. I have no knowledge of it. I do not know whether they do or not.

Mr. GARRETT. Who has charge of your advertising?

Mr. THOMAS. We have a Mr. Gannon.

Mr. GARRETT. Do you carry that particular advertisement in any other publications?

Mr. THOMAS. Not to my knowledge; I think not.

Mr. GARRETT. In any of the wholesale grocers' publications ar anything of that kind?

Mr. THOMAS. I think not; but I can not answer positively about it. I do not think so. I think that is copyrighted for this paper.

Mr. GARRETT. Passing that, I have been very much interested in the testimony produced before this committee as to the controlling power and dominating personality and character of Mr. Henry O. Havemeyer. He was, I take it, a man of dominating character?

Mr. THOMAS. A very strong man.

Mr. GARRETT. You say that you were a member of a committee that was appointed, and the the minutes so show that you were a member of a committee of three appointed and authorized to buy in outside refineries.

Mr. THOMAS. So I understand from the record.

Mr. GARRETT. Did you yourself ever conduct any negotiations for that purpose?

Mr. THOMAS. I did not, to the best of my recollection.

Mr. GARRETT. Who was the other member?

Mr. THOMAS. Mr. Senff.

Mr. GARRETT. Do you remember whether he did?

Mr. THOMAS. No; but I should say probably not.

Mr. GARRETT. Is not Mr. Senff in this city now?

Mr. THOMAS. I understand he is very ill indeed and can hardly walk across his room. I do not know whether he can even do that. I have not seen him for months. He is a very sick man, I understand.

Mr. GARRETT. He is paralyzed, as I understand it.

Mr. THOMAS. I believe so; yes.

Mr. GARRETT. What was it you started to say about whether he conducted any negotiations?

Mr. THOMAS. You asked whether to my knowledge he did or if I thought it likely. I should say I think it most likely he did not.

Mr. GARRETT. You think the whole matter was in the hands of Mr. Havemeyer?

Mr. THOMAS. I think so.

Mr. GARRETT. After that committee was appointed did you gentlemen just say in substance to Mr. Havemeyer, "You go ahead and do whatever you want to in regard to this matter, and we will abide by whatever action you take and back up whatever your judgment dictates"?

Mr. THOMAS. No; I think Mr. Havemeyer used to make the investigation on his own account, and then report and say that he had made these investigations and in his opinion these investments were very desirable, and, having confidence in his judgment and sagacity, we all agreed to follow his suggestion.

Mr. GARRETT. I was wondering why the necessity for this committee of three, that being the case, since they acted absolutely upon his judgment.

Mr. THOMAS. I do not think there was any necessity for it.

Mr. GARRETT. Do you know why it was appointed?

Mr. THOMAS. I do not.

Mr. GARRETT. It was appointed on motion of Mr. Havemeyer himself, was it?

Mr. THOMAS. I can not say as to that. I would like to say that I do not want to disclaim any responsibility for being a member of this committee or any other, and in referring to Mr. Havemeyer—

I have to do that constantly, and that is the reason I made these few remarks—that I want no inference to be drawn that I was throwing any responsibility or blame on Mr. Havemeyer.

Mr. GARRETT. I think the committee understood you thoroughly on that, Mr. Thomas.

Mr. THOMAS. There is no reflection on him.

Mr. GARRETT. I do not understand you were making any reflections on him. I was just anxious to get at the fact of these transactions and what was done about it. According to the testimony given before the committee, Mr. Havemeyer was undoubtedly the leading spirit in these transactions, both as to the purchase of outside refineries and the purchase of interests of the beet-sugar concerns.

What is the policy of the American Sugar Refining Co. now as regards its beet-sugar stock, Mr. Thomas?

Mr. THOMAS. We have reduced our holdings. We have been reducing them for the last two or three years, gradually, as opportunity offered.

Mr. GARRETT. Are you proposing to continue that, as a policy?

Mr. THOMAS. That is a question which we have deferred to our general counsel as to the advisability of it. It involves, as I understand it, a legal question, and whatever is the law is what we want to do, so far as we can find out what it is.

Mr. GARRETT. It is the legal phases of it and not the economic phases?

Mr. THOMAS. It is the legal phase at the present time.

Mr. GARRETT. So far as the economic phase of your ownership is concerned, that is satisfactory, is it?

Mr. THOMAS. It is to me at the present time. I think the board do not altogether agree; but there is a difference of opinion in the board.

Mr. GARRETT. But the board, as a whole, has not taken any action looking to a systematic disposition of this stock on economic grounds?

Mr. THOMAS. No.

Mr. GARRETT. But you are in the hands of your counsel, so far as the legal phases are concerned?

Mr. THOMAS. Yes. I say economically the present situation suits me. I do not know that it suits all the others, because there is a difference of opinion between the people who are in favor of low tariff and those who are in favor of a high tariff in the board, so they are quite irreconcilable.

Mr. GARRETT. Those who were in favor of a low tariff are in favor of disposing of the stock?

Mr. THOMAS. That is it.

Mr. GARRETT. That stock is now and has been paying 7 per cent for some years?

Mr. THOMAS. Which stock do you refer to?

Mr. GARRETT. The beet-sugar stock; it has been paying 7 per cent for a number of years, has it not?

Mr. THOMAS. The average, yes. There are different companies, you know.

Mr. GARRETT. And that is the thing that the American Sugar Refining Co. pays itself?

Mr. THOMAS. Yes; but you see there is a varying rate of interest which these beet stocks pay. Some companies pay nothing, some

pay on the preferred and on the common as well, and there is an entirely different return in the different companies.

Mr. GARRETT. As a rule, however, you have averaged 7 per cent on all your holdings of stock in beet-sugar concerns, have you not, for the last several years?

Mr. THOMAS. I should think so. Yes; I should think so. It is rather a difficult question for me to answer offhand.

Mr. GARRETT. That is your best recollection?

Mr. THOMAS. That is my best recollection; I should say so.

Mr. GARRETT. Do you object to stating whether you have any personal holdings in beet-sugar interests?

Mr. THOMAS. None whatever. I have none personally, but my family have a small interest in the Great Western Co. I will tell you the amount if you wish it.

Mr. GARRETT. If you have no objection?

Mr. THOMAS. No objection. We have 1,000 shares of preferred and 1,000 of common that belongs to my family.

Mr. GARRETT. The Great Western has been paying dividends on both the preferred and the common?

Mr. THOMAS. Within a year or two; yes; but not originally.

Mr. GARRETT. I will ask you the same question in regard to sugar lands in Cuba. Do you personally own any sugar lands in Cuba?

Mr. THOMAS. Nothing at all.

Mr. GARRETT. Or stock in companies who own sugar lands there?

Mr. THOMAS. Not a share.

Mr. GARRETT. Do you know, Mr. Thomas, what character of coffee the American Sugar Refining Co. put on the market from its Toledo plant? Do you know anything about it?

Mr. THOMAS. No; I know nothing about the coffee business, except it was a low-priced coffee; rather a low-priced coffee.

Mr. GARRETT. That plant was a battle-ax proposition, was it not?

Mr. THOMAS. I do not know whether you call it that or not.

Mr. GARRETT. It was established for the purpose of fighting Arbuckle's business, because Arbuckle had established refineries to fight the American Sugar Refining Co.?

Mr. THOMAS. Of course, I can not tell what was in Mr. Havemeyer's mind, but one thing undoubtedly was that, having the coffee business, it facilitated also the distribution of sugar; that they could go hand in hand, and it would help the distribution of sugar, and, of course, he was not indifferent to the fact that Arbuckle had put up a sugar refinery; there is no question about that.

Mr. GARRETT. He was not feeling any too good-humored about that?

Mr. THOMAS. No; I suppose not.

Mr. GARRETT. Is the policy of the National Sugar Co. now being controlled by the American Sugar Refining Co.?

Mr. THOMAS. Not to my knowledge; not at all.

Mr. GARRETT. Since they ceased to vote the common stock of the National, the American Sugar Refining Co. has had it in its power at all times to control the policy—since they ceased to vote the common stock?

Mr. THOMAS. Since they ceased to vote, I suppose they have, according to the number of shares, but so far as I know there has never been any desire or intent or any actual exercise of that power.

Mr. GARRETT. The National Co. has not done anything in the conduct of its business that occasioned any displeasure on the part of the American Sugar Refining Co., has it?

Mr. THOMAS. They have been very active competitors, Mr. Garrett; extremely active.

Mr. GARRETT. Competitors in business?

Mr. THOMAS. Yes.

Mr. GARRETT. Their prices, like Arbuckle's, in recent years, and the Federal, in recent years, have, as a rule, followed yours?

Mr. THOMAS. And also more favorable terms to the wholesale grocers and that sort of thing—I mean pushing after business, like everybody else.

Mr. GARRETT. Their prices have as a rule followed pretty closely the prices of the American Sugar Refining Co.?

Mr. THOMAS. Fairly; yes.

Mr. GARRETT. You stated awhile ago that you thought the labor was a little cheaper in the refinery at New Orleans?

Mr. THOMAS. That is my impression, Mr. Garrett.

Mr. GARRETT. You mean the common labor in the refinery?

Mr. THOMAS. Yes; I had more reference to that.

Mr. GARRETT. What character of common labor is used in the refinery there, Mr. Thomas?

Mr. THOMAS. I think it is mostly colored labor.

Mr. GARRETT. As a rule, what character of labor is used in your refineries here?

Mr. THOMAS. It varies in different places. In Boston there are a great many——

Mr. GARRETT (interposing). I had particular reference to New York, but go ahead about Boston.

Mr. THOMAS. In New York it varies a great deal. There are a great many Polacks and Bohemians and people of that type in the common labor, and above that there are very apt to be Germans in the more important positions, as foremen and boilers of sugar, where it requires a greater technical knowledge.

Mr. GARRETT. As a rule, your common labor is foreign born, is it, in your refineries here?

Mr. THOMAS. Yes; I think so.

Mr. GARRETT. Is not that same thing true of Boston?

Mr. THOMAS. Not to the same extent; very much less.

Mr. GARRETT. Very much less of the foreign element employed in your refineries at Boston?

Mr. THOMAS. Very much.

Mr. GARRETT. What about Philadelphia in that regard?

Mr. THOMAS. I am not personally familiar with conditions in Philadelphia, but I am inclined to think the conditions there are halfway between the conditions in Boston and in New York.

Mr. GARRETT. You stated Mr. Havemeyer opposed publicity in the conduct of the affairs of a corporation?

Mr. THOMAS. I think so.

Mr. GARRETT. I will ask you if in that opinion he was not at that time sustained and supported by his colleagues on the board of directors—if they were not of that opinion at that time—and if it was not true generally of all corporations almost and the managers of corporations?

Mr. THOMAS. I think it was rather extreme in the instance of our corporation. I think it was rather extreme there. I do not think that the opinion of everyone in the corporation—in the American Sugar Refining Co.—was altogether in accordance with that.

Mr. GARRETT. But Mr. Havemeyer succeeded, did he not, in keeping a board of directors a majority of whom were sufficiently friendly to his policy in that regard as that the policy was never changed so long as he lived?

Mr. THOMAS. Yes; that is quite true.

Mr. GARRETT. Following his death, I will ask you to state what discussions were had among the directors—I do not mean, of course, to undertake to give all the details, but what discussions were had generally as to the changing of the policy, if any?

Mr. THOMAS. There were not many discussions. I took it upon myself to inaugurate annual reports and to change the system which had gone on for so many years, and bring the company in line with the public opinion of to-day, which I think is the right one. I think it is very beneficial to the corporation and very helpful to the directors as well.

Mr. GARRETT. You would say, then, that you were largely responsible for initiating the issuance of annual statements to stockholders——

Mr. THOMAS (interposing). Yes.

Mr. GARRETT. And to the public?

Mr. THOMAS. Yes. If I may be allowed to say so with becoming modesty, I think I was; but the other directors agreed with me, you understand. I probably could not have done it without their cooperation.

Mr. GARRETT. I understood from your statement that you perhaps initiated the suggestion?

Mr. THOMAS. Yes.

Mr. GARRETT. Were there any efforts on your part or on the part of other directors, prior to Mr. Havemeyer's death, to do that? Did you ever have any serious discussions of that question in your meetings prior to his death?

Mr. THOMAS. Not in our meetings.

Mr. GARRETT. Informal meetings, I will say?

Mr. THOMAS. I had often suggested it to him, and he thought it was very unwise. He thought it was unwise, and that was the end of it.

Mr. GARRETT. It was the policy, was it not, during the days of Mr. Havemeyer, so far as official meetings of the board were concerned, to have them just as brief as possible and put just as little on the minutes as possible?

Mr. THOMAS. Well, I think that he got everything concentrated, all the plans concentrated, and had them put down in black and white, and called upon his fellow directors to indorse his action and to ratify what he had done or was about to do.

Mr. GARRETT. From the testimony of Mr. Heike before this committee in Washington I got the impression—in fact, I think it was his direct statement—that at the meetings of the board, as a rule, there would be an informal discussion among the members before they formally took up the business, and the business, as a rule, would be settled in these informal meetings, of which no record was kept;

and then, when they would pass into the formal session, the record would be made and would show just as little of the details as was consistent with making anything like an accurate record of the events.

Mr. THOMAS. Mr. Garrett, he might have spoken to a few or one or two about what he proposed to do, but I think to call them informal meetings would be rather to give them too much dignity.

Mr. GARRETT. This was the impression I got, I will say here, Mr. Thomas—and I do not know that this was Mr. Heike's direct statement, but I got this impression—that at the stated meetings of the board of directors, when they would gather in a room and before they would enter into the formal business, they would have kind of an informal discussion among themselves and fix up the program, which would then be ratified in the formal meeting.

Mr. THOMAS. I hardly remember it being done that way, Mr. Garrett; I could hardly say that that was correct.

Mr. GARRETT. Would you say that that was not the rule? It may have been done sometimes?

Mr. THOMAS. It may have been done sometimes. I would not say whether it was the rule or not.

Mr. GARRETT. What I want to know is whether or not that was the fixed policy?

Mr. THOMAS. I do not think it was; I do not think it was.

Mr. GARRETT. Do you know who the agents were that were employed to purchase the stock in that Baltimore Sugar Refining Co.?

Mr. THOMAS. No; I do not.

Mr. GARRETT. Or whether more than one agent was employed?

Mr. THOMAS. I do not know.

Mr. GARRETT. That was prior to your connection with the company as a director, I believe?

Mr. THOMAS. I do not remember the date of that, Mr. Garrett.

Mr. GARRETT. I think it was in 1891 that that took place.

The CHAIRMAN. 1890.

Mr. GARRETT. 1890 or 1891.

Mr. CRAWFORD. 1891, Mr. Garrett.

Mr. GARRETT. That is my recollection.

Mr. THOMAS. I do not remember about that.

Mr. GARRETT. Mr. Thomas, it has been testified before this committee by gentlemen from Louisiana, representatives and members of the Louisiana Cane Growers' Association, which I believe is the official title, that the American Sugar Refining Co. is practically their only customer; that the Arbuckles and the Federal Co. and the National Co.—I do not remember that they mentioned the National; still, that was a clear inference—remained out of the New Orleans market; that they do not purchase and do not go there to purchase and will not go there to purchase raw sugars, is that correct?

Mr. THOMAS. No; I do not think so. That market is a wide-open market for anybody, and Arbuckles have bought a great deal of sugar down there. I think the others have.

Mr. GARRETT. Do you understand the Arbuckles have bought that sugar in Louisiana?

Mr. THOMAS. Yes; they have bought it in Louisiana. While they bought it through their agent in New York and had it shipped to their refinery here—yes; they bought it in Louisiana.

Mr. GARRETT. Do you understand this to be the fact: The way you buy your sugars in Louisiana—and when I say you I mean the American Sugar Refining Co.—is to buy them there?

Mr. THOMAS. We buy them there; yes.

Mr. GARRETT. And you give them the New York price less about the New York freight rate from there to New York?

Mr. THOMAS. Yes, sir; just less 10 per cent; but we do not figure it as being less than the freight rate. The idea of the freight rate does not enter into it at all. You must bear in mind we are the very largest buyers down there, and this sugar comes into the market in about two or three months of the year, and we are the only people who can take that sugar right along, day by day, as the planters ship it to us. We take those sugars and put them in storage, carry the insurance, and take care of the depreciation, and I think really it is a great benefit to the Louisiana planters in being in position where we can take the sugars off their hands as rapidly as they wish to ship them. That is the situation as it appears to me.

Mr. GARRETT. Why should the situation be different there from what it is in New York? Do you not buy sugars here and store them?

Mr. THOMAS. We do some; yes.

Mr. GARRETT. Your largest plant is at New Orleans?

Mr. THOMAS. Yes.

Mr. GARRETT. And I take it your largest storage capacity?

Mr. THOMAS. Yes; I think it is.

Mr. GARRETT. And now, just why is it that you can not buy and pay the same price and store sugars there that you can sugars that you store here?

Mr. THOMAS. There they rush the sugars to the market, if I understand correctly what you are after, and they themselves are anxious to get rid of them as rapidly as the sugars are shipped. Those people from whom we buy sugars here are in a rather more independent position. Sugar comes gradually along from time to time, and there is not that pressure at a short period of the year.

Mr. GARRETT. Is that due to the fact that the growers of the Cuban sugar and the Porto Rican sugar are financially able to hold their product?

Mr. THOMAS. I do not know.

Mr. GARRETT. How does it happen it is not rushed to the market just like that Louisiana sugar is?

Mr. THOMAS. That may be. I do not say they are any better to hold. I think they watch the market very carefully, and the fact is as I have stated about it.

Mr. GARRETT. I did not know but what there might be a matter of financial ability on the part of the growers.

Mr. THOMAS. And then I would like to say another thing in regard to the Louisiana situation, if you do not mind.

Mr. GARRETT. Not at all, sir.

Mr. THOMAS. Sometimes it works a great deal to their advantage. For instance, if during the period of the year when they are marketing their sugars the price happens to be high, they are very fortunate in being able to dispose of them to us. If the market goes off later, of course it is then to their advantage. Sometimes, to be sure, on the other hand, when their sugars come to market the price may

be a little low and the profit inures to us; but on the whole I think it is as much to their advantage as it is to ours that we are such large buyers.

Mr. GARRETT. The American Sugar Refining Co. is not pleased when those Louisiana growers sell to any others than the American Sugar Refining Co., is it?

Mr. THOMAS. I do not think they care anything about it.

Mr. GARRETT. You did some time back, did you not?

Mr. THOMAS. I do not know; I do not remember, Mr. Garrett.

Mr. GARRETT. It was testified before the committee that in 1907 a sale was made to the Federal Co. of a certain quantity of sugar at one thirty-second of a cent more than the American Sugar Refining Co. was paying per pound, and that thereafter the agent of the American Sugar Refining Co. boycotted the gentleman who made that sale to the Federal Co. for a number of days, he being also a producer of sugar and having his sugars on the market for sale there. Do you know anything about that transaction, Mr. Thomas?

Mr. THOMAS. No; I know nothing about it whatever.

Mr. GARRETT. Did you ever hear of it?

Mr. THOMAS. I never heard of it until just now.

Mr. GARRETT. You never heard of it until just now?

Mr. THOMAS. No; I never did.

Mr. GARRETT. If you never heard of it until just now, there is no use asking any more questions about it.

Do you remember in 1907, about the time of the panic, what was the policy of the American Sugar Refining Co. with reference to New Orleans sugar, then, or following that panic?

Mr. THOMAS. We bought sugar down there.

Mr. GARRETT. How much less than the New York price did you pay for it then?

Mr. THOMAS. I do not remember. Of course, that was the time when the panic was at its height, and I think they were only too glad to get money, as everybody else was during that period. I do not know that any advantage was taken of any distress that existed there at that time.

Mr. GARRETT. It was testified before the committee yesterday by a Mr. Burgeries, who seems to be a large planter down there, that, following the panic of 1907, the American Sugar Refining Co. reduced the price one-sixteenth of a cent a day until it got down to five-sixteenths—I mean one-sixteenth under the New York price—until it got down to five-sixteenths less than was being paid in New York, besides the tariff.

Mr. THOMAS. I do not remember that, Mr. Garrett. That was the time of the panic, was it not?

Mr. GARRETT. Yes. But I was wondering why it should have been that much less there than here. The panic conditions were the same here as there, or worse here than there, if anything, I should suppose.

Mr. THOMAS. I can not tell you.

Mr. GARRETT. Getting back again, you purchased your Louisiana sugars there?

Mr. THOMAS. Yes.

Mr. GARRETT. Those sugars that are purchased by Arbuckle are sent here from there and sold on the New York market?

Mr. THOMAS. Yes; they are bought through their New York brokers.

Mr. GARRETT. So that the Arbuckles are not in the market at New Orleans; and do you not know, as a matter of fact, they will not go there, and that they say to those people, "We will not go to New Orleans, and if you want us to buy your sugars you will have to send them to New York"?

Mr. THOMAS. No; I do not know that, Mr. Garrett, at all, because the sugars are bought down there. Even if they should buy them in New York, they are bought by brokers there, and it is substantially the same thing as our buying them through our agents there.

Mr. GARRETT. The impression I got from the testimony was that, so far as the sales to Arbuckles were concerned, they were loaded on the ship and sent here and sold on the market, just like the sugars of Porto Rico and Cuba.

Mr. THOMAS. I think that is an error.

Mr. GARRETT. What I am particularly desirous of learning is whether or not there is any sort of an understanding or agreement, express or implied, to your knowledge—gentlemen's agreement, or whatever kind of an agreement it may be—between the American Sugar Refining Co., Arbuckles, the National, and the Federal, all or any two or more of them, that they will not compete for the raw product in the Louisiana market?

Mr. THOMAS. Absolutely none whatever.

Mr. GARRETT. To your knowledge?

Mr. THOMAS. To my knowledge.

Mr. GARRETT. Do you know whether that has ever been discussed between the heads of the various companies?

Mr. THOMAS. No; I do not.

Mr. GARRETT. The Louisiana raw sugars are a very fine grade of raw sugars, are they not?

Mr. THOMAS. Yes; they are good sugars.

Mr. GARRETT. Are they not the most satisfactory raw sugars you obtained?

Mr. THOMAS. I would hardly say that.

Mr. GARRETT. For refining purposes?

Mr. THOMAS. They are good sugars. They are no better than the Java sugars, which are very fine sugars. They are very good, though.

Mr. GARRETT. They are equal, at least?

Mr. THOMAS. Nearly equal. They are good sugars.

Mr. GARRETT. Desirable sugars to have?

Mr. THOMAS. Yes.

Mr. GARRETT. How do you account for the fact that the Federal Co., which is an independent concern which requires sugars, and Arbuckles do not buy those good raw sugars of Louisiana, or seek to buy them, on the markets there for refining purposes?

Mr. THOMAS. I think they probably believe they can do as well elsewhere, because they always keep supplied without any difficulty.

Mr. GARRETT. How much of the year do you operate your New Orleans refinery on the Louisiana product?

Mr. THOMAS. I can not remember absolutely accurate about that. I should say about three months.

Mr. GARRETT. About three months of the year?
Mr. THOMAS. Yes; three to four months.
Mr. GARRETT. That includes all that you store, does it?
Mr. THOMAS. Yes.
Mr. GARRETT. And everything?
Mr. THOMAS. Yes.
Mr. GARRETT. How many weeks does it take to market that crop down there?
Mr. THOMAS. I should say possibly nearly three months, two and a half months, but they carry a good deal of it there. It is not all sold right there by the planters, or a good many of them.
Mr. GARRETT. If it takes from two and a half to three months for them to market their crop, and they hold a good deal, and you only run about three months on the Louisiana product, then you do not have to carry their sugars very long that you buy?
Mr. THOMAS. Not so very long, but we carry them for a time.
Mr. GARRETT. Do you carry them——
Mr. THOMAS (interposing). We take them right in, take them right off their hands from day to day, off the hands of the planter from day to day. That is his advantage.
Mr. GARRETT. Just as you buy here from day to day?
Mr. THOMAS. Yes; practically the same thing.
Mr. GARRETT. What I am seeking to get at is just what the difference in conditions is that justifies the paying of less to the Louisiana people than is paid here in New York for their sugar?
Mr. THOMAS. We are such large buyers down there, Mr. Garrett. I think that is why. We are their principal customers. We buy in very large quantities, and I think feel we ought to be a little bit under the market.
Mr. GARRETT. In selling your product, do you sell to your larger customers under the market?
Mr. THOMAS. No; we sell right on the market. We sell everybody at substantially the same price.
Mr. GARRETT. You think, by reason of the fact you are a large purchaser of the raw product down there—the largest purchasers of the raw product—that you ought to get a little advantage in the purchase; but when it comes to selling you do not consider that?
Mr. THOMAS. I think the conditions are somewhat different.
Mr. GARRETT. In selling your New Orleans sugars, of course you do not give to the purchasers of your refined product the advantage in that rate which you get?
Mr. THOMAS. No; we do not.
Mr. GARRETT. Mr. Chairman, it is nearly 1 o'clock. Shall I continue further?
The CHAIRMAN. It is so near our time for taking recess that we will not continue further at this time. The committee will recess until 2 o'clock sharp at the room of the United States Circuit Court of Appeals in the post-office building, at which time we will resume your examination, Mr. Thomas, and you will kindly be present.
Mr. THOMAS. Yes, sir.

(Thereupon, at 1 o'clock p. m., the committee took a recess until 2 o'clock p. m.)

AFTER RECESS.

The committee reassembled, pursuant to the recess, at 2 p. m.

The CHAIRMAN. The committee will now resume its session, and as I understand it, Mr. Garrett has finished his examination. Does any other member of the committee desire to ask this witness any questions?

Mr. RAKER. I would like to ask him a few questions, Mr. Chairman.

Mr. Thomas, what is your age?

Mr. THOMAS. My age is 53.

Mr. RAKER. What is your nativity?

Mr. THOMIS. You mean where I was born?

Mr. RAKER. Yes.

Mr. THOMAS. I was born in the State of Maine.

Mr. RAKER. And what were your opportunities for schooling?

Mr. THOMAS. Well, they were very good. I went to school and to college.

Mr. RAKER. When did you first become connected with the American Sugar Refining Co. or with any sugar refining company, and how old were you at the time?

Mr. THOMAS. I went into the Standard Refinery in the autumn of 1879.

Mr. RAKER. And what age were you at that time?

Mr. THOMAS. I was born in 1857, and that would make me 22.

Mr. RAKER. What was your work when you first went into the Standard—was that the name of it?

Mr. THOMAS. The Standard Refinery; yes, sir.

Mr. RAKER. What did you do when you first went with that refinery?

Mr. THOMAS. I was connected with the clerical part, in the sales department especially—in the selling department of the business.

Mr. RAKER. How long did you continue in that particular line?

Mr. THOMAS. I stayed in that position, substantially, up to the time my father died, which was in 1891.

Mr. RAKER. What were your duties from the time you went in, in 1879, to 1891, in relation now to handling the business?

Mr. THOMAS. Well, taking the orders from customers and entering them, and sending the orders to the refinery and looking out for the delivery part of the business.

Mr. RAKER. Well, during this time did you become familiar with the general mode and method of handling the business of that refinery?

Mr. THOMAS. Only as regards that refinery; not the general sugar situation outside.

Mr. RAKER. I am now speaking of this one refinery.

Mr. THOMAS. Yes.

Mr. RAKER. In other words, you knew its conditions from the ground up?

Mr. THOMAS. Well, I would hardly say that. I would say that my work was rather limited.

Mr. RAKER. I know, but that is what I want to find out from you. As a young man starting in that business—and your father was largely interested?

Mr. THOMAS. Yes; in that refinery.

Mr. RAKER. And you were interested in becoming acquainted with the business?

Mr. THOMAS. Yes.

Mr. RAKER. To know how it was run from the employment of the lowest-salaried man on through to the man who was the president of the corporation?

Mr. THOMAS. Well, in a general way.

Mr. RAKER. In a general way?

Mr. THOMAS. My specific work was in the sales department.

Mr. RAKER. But you generally knew that business, did you not?

Mr. THOMAS. I knew it moderately well. I would not consider myself an expert.

Mr. RAKER. I want you to tell me the facts, and then let the committee determine the balance. You went through the refinery, did you not?

Mr. THOMAS. I was there for a short time.

Mr. RAKER. How long?

Mr. THOMAS. I should say about a year.

Mr. RAKER. What were you doing?

Mr. THOMAS. I was just generally overseeing and trying to familiarize myself with the method of refining sugar, but with no intention of ever being a technical man.

Mr. RAKER. Well, you did familiarize yourself with it, did you not?

Mr. THOMAS. In a most general way. I should not call myself an expert.

Mr. RAKER. I understand that; but let us understand your condition. You could see well?

Mr. THOMAS. Fairly.

Mr. RAKER. You may think I am trying to catechise you on something that is not material, but to my mind it is material. Your eyesight was good?

Mr. THOMAS. Yes.

Mr. RAKER. Your general faculties and your physical being were in splendid shape, so you could get around to all the various places where anything was done in the refinery?

Mr. THOMAS. I think so; yes.

Mr. RAKER. Now, was there any imperfection in your locomotion in any way?

Mr. THOMAS. No.

Mr. RAKER. Or in your hearing or your sight?

Mr. THOMAS. Not so far as I know.

Mr. RAKER. And you had a keen interest in seeing how the business was conducted?

Mr. THOMAS. Yes; I had an interest.

Mr. RAKER. And you participated in the meetings of the board of directors, as a boy would in your position doing the clerical work?

Mr. THOMAS. I very rarely participated.

Mr. RAKER. But you were present.

Mr. THOMAS. Some times, but not always.

Mr. RAKER. You knew who the brokers of the Standard Refinery were?

Mr. THOMAS. The refined sugar brokers?

Mr. RAKER. Yes.

Mr. THOMAS. Well, we very rarely sold sugar in New England through brokers. We sold directly to the trade from the refinery office.

Mr. RAKER. And the refinery office was in Boston?

Mr. THOMAS. Yes.

Mr. RAKER. And you sold from the refinery office?

Mr. THOMAS. Yes.

Mr. RAKER. That gave you a better knowledge of the conditions than if you had sold through a broker?

Mr. THOMAS. Well, in some ways it did; yes.

Mr. RAKER. You have a pretty good knowledge of men, have you not?

Mr. THOMAS. Well, I do not know; fairly well.

Mr. RAKER. Oh, yes; you do know.

Mr. THOMAS. I should not say I have, especially.

Mr. RAKER. You were acquainted with the directors, were you not?

Mr. THOMAS. Yes.

Mr. RAKER. And the various men who were doing the work?

Mr. THOMAS. The principal ones; yes.

Mr. RAKER. Now, in 1891 you quit the clerical work, did you?

Mr. THOMAS. In 1891, to a certain extent I did.

Mr. RAKER. Then what did you do?

Mr. THOMAS (continuing). But not altogether. I was generally more connected with the office work. My brother was there, who was older than I, and he stayed there for two years, until 1893, and then I became a director in the American Sugar Refining Co.

Mr. RAKER. You became a director in 1893?

Mr. THOMAS. In 1893; yes.

Mr. RAKER. Between 1891 and 1893, your business was more of a general nature?

Mr. THOMAS. Well, a trifle more; yes.

Mr. RAKER. Before you became a director, did you get acquainted with the men who were interested in the American Sugar Refining Co.?

Mr. THOMAS. You mean the men elsewhere?

Mr. RAKER. Yes.

Mr. THOMAS. In New York? Well, I knew them slightly.

Mr. RAKER. Now, what do you mean by "slightly"?

Mr. THOMAS. Well, I did not know them well. I knew them slightly. I would see them occasionally. They had been in Boston, and I had been introduced to them.

Mr. RAKER. You knew Mr. John E. Parsons?

Mr. THOMAS. Well, I knew Mr. Parsons after 1887.

Mr. RAKER. After 1887?

Mr. THOMAS. Yes.

Mr. RAKER. You became acquainted with him——

Mr. THOMAS (interposing). I do not know when I first met Mr. Parsons.

Mr. RAKER. Well, when did you first get acquainted with him?

Mr. THOMAS. I can not tell you the date.

Mr. RAKER. Approximately?

Mr. THOMAS. I can not tell you the date approximately.

Mr. RAKER. Now, Mr. Thomas, I do not want to be unreasonable in this matter, but I sat here this morning and listened to your tes-

timony very carefully, and it is inconceivable to me that you can not remember within some reasonable time when these things occurred. Now, I do not say that with any criticism, but if there is any reason why you should not remember, I want the record to show it.

Mr. CRAWFORD. He said it was after 1887.

Mr. RAKER. But that does not mean anything to me.

Mr. THOMAS. I have told you I can not tell you approximately when I first met Mr. Parsons.

Mr. RAKER. How long after 1887?

Mr. THOMAS. I would be very glad to tell you if I could.

Mr. RAKER. Well, how long after 1887 was it?

Mr. THOMAS. I can not tell you. I can not tell you when I met him.

Mr. RAKER. Was it a year afterwards?

Mr. THOMAS. I should think it was longer than that.

Mr. RAKER. Two years afterwards?

Mr. THOMAS. I should think it was longer than that.

Mr. RAKER. Three years?

Mr. THOMAS. I can not tell you.

Mr. FULLER. Why do you not ask him if it was prior to a certain time?

Mr. RAKER. My mind is marked out ahead as to what I want to get, and I am trying to demonstrate what I am figuring on. You can not, then, remember when you became acquainted personally with Mr. John E. Parsons?

Mr. THOMAS. No; I can not.

Mr. RAKER. You can not give it within two or three or five years?

Mr. THOMAS. No; I can not.

Mr. RAKER. Now, would the same thing be true with reference to Mr. Arthur Donner? You knew him personally, did you not?

Mr. THOMAS. Yes; I knew him. Arthur Donner lived in Boston at that time.

Mr. RAKER. When did you first become acquainted with him?

Mr. THOMAS. Well, it must have ben along about 1875.

Mr. RAKER. And your acquaintance with him was personal?

Mr. THOMAS. Yes.

Mr. RAKER. And quite close?

Mr. THOMAS. I knew him long before he went into the sugar business.

Mr. RAKER. Your intimacy with him and your acquaintance was a close, friendly acquaintance?

Mr. THOMAS. Well, not very close. He was an older man than I was. He lived in Boston, and I met him there.

Mr. RAKER. Your acquaintance with him was such that you could sit down and talk with him, was it not?

Mr. THOMAS. Oh, certainly.

Mr. RAKER. And you did talk with him?

Mr. THOMAS. Well, I did not see him very often.

Mr. RAKER. But when you did see him?

Mr. THOMAS. Well, of course, I could talk with him.

Mr. RAKER. When did you first become acquainted with Heike?

Mr. THOMAS. I think along about the time I became a director in the company.

Mr. RAKER. In 1893?

Mr. THOMAS. I should think so.

Mr. RAKER. When did you become acquainted with Mr. Henry O. Havemeyer?

Mr. THOMAS. I think I must have become acquainted with him along about 1891 up to 1893.

Mr. RAKER. Where did you first meet him?

Mr. THOMAS. In New York.

Mr. RAKER. What was the occasion?

Mr. THOMAS. I do not remember. I came over to the office, I suppose, on some business or something, and I met him then.

Mr. RAKER. You came over to what office?

Mr. THOMAS. To the New York office, 117 Wall Street.

Mr. RAKER. Were you alone?

Mr. THOMAS. I beg your pardon.

Mr. RAKER. Were you alone when you came to see Mr. Havemeyer?

Mr. THOMAS. I can not remember whether I was alone or not.

Mr. RAKER. At that time what was your mission to meet Mr. Havemeyer?

Mr. THOMAS. I have no recollection what my mission was at that time to meet Mr. Havemeyer.

Mr. RAKER. Did you meet him and talk with him at that time?

Mr. THOMAS. I suppose I did at that time or, approximately, in that year.

Mr. RAKER. Mr. Thomas, the kind and character of man you have described Mr. Havemeyer to be, if a young man of 35 years of age should meet him for the first time, to my mind, the meeting would be so indelibly stamped on his mind that he could never forget it, if Mr. Havemeyer was the kind of man attempted to be described by the witnesses in this case; and I want you to tell me now, approximately, when you met Havemeyer first and talked with him.

Mr. THOMAS. Well, approximately, I suppose, in 1891 to 1893, somewhere along there, when I started in the general business.

Mr. RAKER. Now, the purpose of that first meeting was what?

Mr. THOMAS. I have no recollection what the purpose was.

Mr. RAKER. You can not remember anything that led up to this meeting with Mr. Henry O. Havemeyer and yourself?

Mr. THOMAS. I can remember nothing about it.

Mr. RAKER. Nor the object or purpose of it?

Mr. THOMAS. No.

Mr. RAKER. Was he in his office alone when you met him?

Mr. THOMAS. That I do not remember.

Mr. RAKER. Was the board of directors then in session?

Mr. THOMAS. I do not remember.

Mr. RAKER. Did you ever become acquainted with Edwin F. Atkins?

Mr. THOMAS. Yes.

Mr. RAKER. When did you first meet him?

Mr. THOMAS. Well, I met Mr. Atkins along about 1878—1875 to 1880—somewhere along there.

Mr. RAKER. That was in Boston?

Mr. THOMAS. Yes.

Mr. RAKER. He lived in Boston at that time?

Mr. THOMAS. Yes.

Mr. RAKER. And was interested in the Bay State Refining Co.?

Mr. THOMAS. Yes.

Mr. RAKER. Did you become acquainted with him before 1879 to the extent that, as a young man, when you met Mr. Atkins you could stop and talk with him and did stop and talk with him?

Mr. THOMAS. Oh, yes. I was on speaking terms with him.

Mr. RAKER. Well, that is what I want to know.

Mr. THOMAS. Yes.

Mr. RAKER. Can you tell the committee why it was and how it was you were elected a member of the board of directors of the American Sugar Refining Co.?

Mr. THOMAS. Well, I suppose it was because I had been in the business for some little time.

Mr. RAKER. Well, from your statement that you can not remember when you met Mr. Havemeyer, or the purpose for which you met him, and you can not remember what you did in the Standard Refining Co., and you practically knew nothing about the business, can you explain now why this corporation, with a capital stock in the neighborhood of $90,000,000 should elect you one of its directors?

Mr. THOMAS. Well, because I was supposed to be familiar with the business and had been connected with it, and my father had been connected with the business a long time in Boston. That is about the only reason I can give.

Mr. RAKER. Now, is there not another reason, Mr. Thomas, why you were elected a director?

Mr. THOMAS. Well, it was generally supposed we had an interest in the business. There was no other reason.

Mr. RAKER. There was no other reason?

Mr. THOMAS. Not that I am aware of.

Mr. RAKER. About what were you worth at the time you were elected a director the first time?

Mr. THOMAS. Well, I had not very much.

Mr. RAKER. About how much?

Mr. THOMAS. Oh, I do not know. I was a young man.

Mr. RAKER. Will you not please give me an estimate?

Mr. THOMAS. Do you want to press that question?

Mr. RAKER. Yes, sure; because to my mind this leads to a condition of affairs that is very peculiar.

Mr. THOMAS. Well, I suppose I was worth possibly $200,000 or $250,000, something like that.

Mr. RAKER. Mr. Thomas, this question will call for your own explanation. How are you in the company of men? Are you reticent in dealing with men, or are you a good fellow, well met sort of man?

Mr. THOMAS. Well, I rather think it is for the others to judge.

Mr. RAKER. Are you very reticent; do you talk but little in the company of men?

Mr. THOMAS. Well, I do not know. I think I am normal about it.

Mr. RAKER. You feel that way, do you not?

Mr. THOMAS. I think so.

Mr. RAKER. And you feel in dealing in the business in which you are interested that as a normal man you took a part commensurate with the position you held in the business, do you not?

Mr. THOMAS. Yes; I think I did my duty in my position.

Mr. RAKER. And did your part?

Mr. THOMAS. I think so.

Mr. RAKER. Do you feel now that as a director of the American Sugar Refining Co. you did your part as a director?

Mr. THOMAS. Yes; I think so.

Mr. RAKER. In shaping the concern, directing its policy, and in determining what it should do and what it should not do?

Mr. THOMAS. I think, under the conditions in which I was placed, I did my duty.

Mr. RAKER. Now, what do you mean by the conditions under which you were placed?

Mr. THOMAS. Well, I mean the surroundings, the questions that generally came up. I can say nothing more. I think I did the best I could.

Mr. RAKER. Was there any handicap upon you?

Mr. THOMAS. Not in any particular way.

Mr. RAKER. Was there any restraint upon you in any way?

Mr. THOMAS. No.

Mr. RAKER. You were a perfectly free agent, and as a director of the American Sugar Refining Co. had the same responsibility and had the same right and the same voice of any of the other directors of the company, did you not?

Mr. THOMAS. Yes; I did, undoubtedly.

Mr. RAKER. And did you ever feel that you did not have that voice?

Mr. THOMAS. No; I do not know that I ever did.

Mr. RAKER. Was there ever anything said to you to the effect that you could not participate in the affairs of the American Sugar Refining Co.?

Mr. THOMAS. Oh, no; never.

Mr. RAKER. You are satisfied of that?

Mr. THOMAS. As far as I remember; yes. Nothing was ever said to me.

Mr. RAKER. Now, is it not a fact that you were to some extent rather embarrassed, and that a restraining hand was placed upon you so you were not a free agent acting as a director?

Mr. THOMAS. Well, I should hardly say that.

Mr. RAKER. You are willing to state now to the committee that in your dealings as a director of the American Sugar Refining Co. you acted as a free and independent agent?

Mr. THOMAS. Well, yes. I had conferences with some of the other directors about different matters.

Mr. RAKER. Well, was there any particular thing, at any particular time, or on any particular occasion, when you did not feel absolutely free?

Mr. THOMAS. Not that I remember. I remember none.

Mr. RAKER. Then the records of the American Sugar Refining Co., as to its minutes, and what was done and recorded, you, as a director, participated in and sanctioned those records and those minutes?

Mr. THOMAS. Yes; as far as the records show I did.

Mr. RAKER. Well, is there anything that the records show that they ought to show differently?

Mr. THOMAS. No; not that I know of.

Mr. RAKER. Why do you use that expression, Mr. Thomas? "As far as the records show."

Mr. THOMAS. I mean, if the records show that. I would rather change that word.

Mr. RAKER. Then, if it was stated, either publicly before this committee or otherwise, that the members of the board of directors of the American Sugar Refining Co., since you became a member, had no voice in what was done, or what was said, it is not true, is it?

Mr. THOMAS. I should not put it as strong as that.

Mr. RAKER. Well, I have been putting things "right square up the stumping post."

Mr. THOMAS. I would not say that.

Mr. RAKER. They had a free voice, did they not?

Mr. THOMAS. They had a voice in it.

Mr. RAKER. And it is not the fact that the board of directors of the American Sugar Refining Co. simply came in and the secretary wrote down the minutes, without the directors ever discussing or considering what was in the minutes?

Mr. THOMAS. They never discussed them to any great extent.

Mr. RAKER. Well, they discussed them to a sufficient extent to determine what should be done, did they not?

Mr. THOMAS. Well, in a way, I think, Mr. Havemeyer laid out the proposition and the plan and informed the directors of it for their approval.

Mr. RAKER. Now, you do not intend to tell the committee that Mr. Henry O. Havemeyer came in with a written set of minutes and told the board what to do, and they adopted it without any discussion, do you?

Mr. THOMAS. Oh, no.

Mr. RAKER. Just the contrary is true?

Mr. THOMAS. Well, there was not any great deal of discussion. Mr. Havemeyer was a man of few words.

Mr. RAKER. Well, isn't it just the contrary, and the minutes were made up from what actually occurred in the board meetings?

Mr. THOMAS. Oh, yes; I should think so.

Mr. RAKER. Then it is not the fact that the board of directors met secretly off in some corner of a room and determined what they wanted to do and then came in and told the secretary to enter it in the minutes?

Mr. THOMAS. No; I never was a member of the board when that was done.

Mr. RAKER. Well, I refer to the time you were a member of the board, from 1893 up to the time your directorate ceased. When did your directorate cease?

Mr. THOMAS. Well, I am still a member of the board of directors.

Mr. RAKER. Then up to the present time such a thing never occurred that you can recall?

Mr. THOMAS. Not to my knowledge; no.

Mr. RAKER. Well, has there been any change in the policy of the American Sugar Refining Co. from the time of its organization up until the present time, so far as entering anything upon its minutes of how they should run their business, is concerned?

Mr. THOMAS. No; we merely transcribe to-day in the minutes exactly what occurred at the meeting, which was done before.

Mr. RAKER. What I mean is, for instance, we find a certain method and a certain way of doing business entered in the minutes of the

board of directors, commencing back in 1891, and then running 1893, 1894, 1895, and 1901—that same method of doing business has been continued right along from month to month and from year to year?

Mr. THOMAS. Yes; as far as entering it in the minute book.

Mr. RAKER. Well, so far as doing the business of the American Sugar Refining Co. is concerned, that is right, isn't it?

Mr. THOMAS. Well, yes; in a general way.

Mr. RAKER. Has there ever been any resolution or any discussion by the board of directors of the American Sugar Refining Co. to the effect that they have done wrong in the past, and "now let us change our method and manner of doing business and do so and so in the future"?

Mr. THOMAS. No; I think not.

Mr. RAKER. You think not? You would know it if it had occurred?

Mr. THOMAS. If I was present; yes.

Mr. RAKER. Has there been any meeting when you were not present?

Mr. THOMAS. Not in recent times.

Mr. RAKER. And if such a thing had occurred you would have known it, would you not?

Mr. THOMAS. Yes; I think so.

Mr. RAKER. And you would know it now?

Mr. THOMAS. I think so.

Mr. RAKER. Now, you felt just as much interested in the success of the company and the success of its stockholders as anyone else, did you not?

Mr. THOMAS. I hope so.

Mr. RAKER. No; not what you hope, but did you?

Mr. THOMAS. I think I did.

Mr. RAKER. Not what you think; but did you?

Mr. THOMAS. I did.

Mr. RAKER. And you always worked to that end?

Mr. THOMAS. I did.

Mr. RAKER. Now, why do some of these people now want to lay all that occurred, even to the entering of the minutes and the conditions of handling the business of the American Sugar Refining Co., to Mr. Havemeyer, who is now dead; do you know?

Mr. THOMAS. I do not know.

Mr. RAKER. Do you know of anyone who was ever on the board of directors that Mr. Havemeyer directed or domineered on the board in your presence in regard to his free action as an officer?

Mr. THOMAS. No; I do not.

Mr. RAKER. Did you ever see any evidence of that?

Mr. THOMAS. No; I can not say that I did.

Mr. RAKER. I understood you to say that there was no understanding or agreement as to the way sugar is bought or sold by the American Sugar Refining Co. as relates to other refineries.

Mr. THOMAS. That is quite true.

Mr. RAKER. Now, I will ask you this question, and I know you will appreciate why I ask it: Mr. Thomas, you would not expect me or the committee to expect that if the American Sugar Refining Co. had been doing business in restraint of interstate commerce, or

had been dealing with regard to the lowering of prices or the raising of prices, or had an agreement between these various refineries, you would not think that I would expect you to come before the committee and admit it?

Mr. CRAWFORD. Mr. Chairman, that is not a fair question. It is assuming that this witness is not going to tell the truth. This witness has been perfectly frank and fair, as I believe, in all his answers, and this is an assumption seeking to get an admission from him that he would tell what is not true.

Mr. FULLER. More than that, it is trying to get him to assume what is in your mind.

The CHAIRMAN. Yes; that question is rather speculative, but I do not want to interfere with your examination.

Mr. RAKER. I will admit it is speculative, but I take the same view of it as when I ask a witness on the stand whether or not he has committed a certain crime. I have always found it fair to ask such a witness whether he would expect me to believe that he would admit it. However, I will not press the matter, Mr. Chairman, under the circumstances.

The CHAIRMAN. Of course, I do not rule on the question at all, but I just make that suggestion.

Mr. RAKER. Then, Mr. Chairman, I will put this question: If there was a secret agreement or a gentlemen's agreement in regard to interstate commerce or the raising or lowering of prices and controlling them, there is only one way we could determine that, and that is by the men admitting it themselves; is not that right, Mr. Thomas?

Mr. THOMAS. Well, I do not know.

Mr. RAKER. If it was not in writing, you would have to get it from the lips of some of the men present, would you not?

Mr. THOMAS. I fancy that is so; yes.

Mr. RAKER. Then if that is the only way you could get that information, you would not expect a man to go upon the witness stand and admit he had participated in a criminal offense, would you?

Mr. CRAWFORD. I object to that. That is not a fair question.

Mr. THOMAS. I am not familiar with the laws of evidence.

Mr. MADISON. That is an answer.

The CHAIRMAN. I think that is a very good answer; because the facts themselves might establish such an agreement, even if the witnesses did not admit it.

Mr. RAKER. The only thing is, Mr. Chairman, I think it is asking the witness too much to assume—if you are going to prove a case against him circumstantially and he is fighting it—you are going to expect him to come up and immediately throw up his hands and say, "Yes; I did this. I had a gentleman's agreement."

The CHAIRMAN. The only reason I regard that line of questioning as a little improper is because it is an argument more than anything else.

Mr. RAKER. I appreciate that, Mr. Chairman, and of course yield to your ruling.

The CHAIRMAN. I do not rule against you, if you want to pursue that line of inquiry.

Mr. RAKER. Oh, no; but I always believe in going the limit in trying to get the facts.

I understood you, in your examination this morning, Mr. Thomas, to say that these smaller refineries had an advantage over the larger ones because they could refine sugar cheaper than the larger refineries.

Mr. THOMAS. I think, covering a long period. Of course there is a season of the year in the sugar business when it is very dull, indeed, and the larger refineries have to reduce their production. There is not enough consumption to take care of it, and they reduce their production; and the smaller ones keep running full, and consequently are enabled to refine cheaper than the larger refineries, which have to cut down their capacity, because a reduction in capacity immediately increases the expense.

Mr. RAKER. Then the smaller refineries like those you have named—the Federal and the others—can refine sugar just as cheaply as an institution like the American Sugar Refining Co.?

Mr. THOMAS. Well, I think, taking the year through, they can.

Mr. RAKER. That is what I mean.

Mr. THOMAS. I think they can do just about as well.

Mr. RAKER. Do you know anything about the California sugar situation?

Mr. THOMAS. No; I am not familiar with that.

Mr. RAKER. Did you ever go out there?

Mr. THOMAS. I was out there a long time ago.

Mr. RAKER. How long ago, Mr. Thomas?

Mr. THOMAS. Well, I was out there, I should think about eight or nine years ago.

Mr. RAKER. You knew your company was interested in the Western Sugar Refining Co.?

Mr. THOMAS. Yes.

Mr. RAKER. Did you go through that refinery?

Mr. THOMAS. No; I did not go into the Western.

Mr. RAKER. Did you take up the question of its condition with your associates?

Mr. THOMAS. No; I did not, myself.

Mr. RAKER. Then you would have to state that you practically know nothing about the situation, as to the handling of the sugar interests on the Pacific Coast States?

Mr. THOMAS. That is perfectly correct.

Mr. RAKER. Now, in regard to the Louisiana market, that comes in at what time of the year?

Mr. THOMAS. Well, along in December, January, and February.

Mr. RAKER. January or February?

Mr. THOMAS. And December; yes.

Mr. RAKER. That is, each year?

Mr. THOMAS. Yes.

Mr. RAKER. Now, is there any other output of cane sugar from any other place that comes on the market about the same time?

Mr. THOMAS. Well, of course, all the eastern refineries are working on cane sugar from Cuba and Java, generally, at that time. That comes on the market at the same time.

Mr. RAKER. That does not quite cover the question. Is there any other raw sugar or unrefined sugar that can get to the market from the factories, we will call them, as they call them down South, during December, January, and February?

Mr. THOMAS. Well, you do not refer to beet sugars?

Mr. RAKER. No; to cane.

Mr. THOMAS. I do not quite understand your question, then.

Mr. RAKER. Then I will make my question a little plainer. During the months of December, January, and February of each year is the time that the manufacturers of raw sugar in Louisiana have their product ready for sale?

Mr. THOMAS. Yes.

Mr. RAKER. Now, do you understand what I mean?

Mr. THOMAS. Yes.

Mr. RAKER. And they are ready for sale, and they sell them during those three months?

Mr. THOMAS. Yes.

Mr. RAKER. Generally speaking.

Mr. THOMAS. Yes.

Mr. RAKER. Now, is there any other supply of raw or unrefined sugar about that same time of the year coming right from the mills?

Mr. THOMAS. Well, not in this country. Of course, the foreign sugars——

Mr. RAKER (interposing). Is there any from foreign countries?

Mr. THOMAS. Yes; but not made at that time.

Mr. RAKER. I want something made at that time.

Mr. THOMAS. No; I do not think of any now. It is a little ahead of the season for Cuban sugars. Cuban sugars come in a little later.

Mr. RAKER. Would I be safe in saying that during the months of December, January, and February of each year, at the time the Louisiana manufacturers are putting their sugar on the market right from the mills, there is no sugar taken from any other like source at the same time and during the same months?

Mr. THOMAS. Well, I would like to eliminate February.

Mr. RAKER. Well, say, December and January.

Mr. THOMAS. Yes. There is a little in February. There is some sugar coming in all the time. Cuba frequently retains its sugar right through the season, way up into the winter.

Mr. RAKER. No; that is not what I want to know.

Mr. THOMAS. I would like to understand your question.

Mr. RAKER. I have understood this to be the fact, that the sugar cane is cut in Louisiana and is put in the mills and is manufactured—they call it manufactured down there—during the months of December and January and the first weeks of February, and as they manufacture it, they want to put it on the market and sell it right from the manufacturing mills. Now, that is right, isn't it?

Mr. THOMAS. Yes; they sell it through brokers in New Orleans.

Mr. RAKER. I do not care how they sell it. Is there any other place that manufactures its cane sugar at the same time?

Mr. THOMAS. No; I do not seem to remember any just now. But I want to say that sugar is available from other places at the same time.

Mr. RAKER. No; that is not what I want to know. I want to know whether they manufacture it at the same time.

Mr. THOMAS. I do not seem to remember any at the time.

Mr. RAKER. When does Cuba manufacture her sugar?

Mr. THOMAS. Cuba starts in in January.

Mr. RAKER. Just after this other sugar is going off?

Mr. THOMAS. Well, almost contemporaneous with it; almost at the same time, but not quite so early.

Mr. RAKER. What I wanted to ask you was whether the American Sugar Refining Co., by virtue of its large interests and its many ramifications, knowing the condition of the manufacture of cane sugar in Louisiana, was not able to fix the price of the sugar during those months and, therefore, it would apply to Louisiana and they would get it down low by that reason?

Mr. THOMAS. Oh, no; not at all. The price is governed by the European price.

Mr. RAKER. Of course, you have started into a new matter. Many have said it was controlled by the New York price.

Mr. THOMAS. Well, this price abroad, the price in Hamburg and London, and, of course, New York follows that, and the rest of the country follows New York.

Mr. RAKER. Who fixes the New York price?

Mr. THOMAS. Well, the supply and demand for raw sugars in this country, and, of course, there is a good deal of speculation going on abroad. There is great consumption of sugar in Germany, Russia, and England, and all of those conditions govern the price of raw sugar.

Mr. RAKER. Do you not fix the price in New York?

Mr. THOMAS. No; we do not.

Mr. RAKER. What?

Mr. THOMAS. No; not a bit of it.

Mr. RAKER. Does not the New York price practically determine the price in the other markets of the United States, such as Philadelphia, Michigan, Louisiana, Kansas City, California, Utah, and Colorado?

Mr. THOMAS. Well, they are apt to follow the New York price, one way or the other, but without New York fixing the price at all.

Mr. RAKER. How do you explain that practically at the moment sugar goes up, say 10 points in New York, we find it going up 10 points in Michigan, the same way out West, and then clear out to the Pacific coast?

Mr. THOMAS. These men follow it, and follow it independently.

Mr. RAKER. Which men follow it independently?

Mr. THOMAS. I mean these other people you mention that have sugar to sell; you say the sugar out on the Pacific coast.

Mr. RAKER. You have quite an important interest in Utah, have you not, and in Idaho?

Mr. THOMAS. Well, the record here shows our interest in Utah.

Mr. RAKER. You have an interest there?

Mr. THOMAS. Yes, sir.

Mr. RAKER. And keep a watch over it?

Mr. THOMAS. Well, we have nothing to do with the management.

Mr. RAKER. I know; but listen, and let us understand each other. Your board of directors and your managers keep a watch upon the condition of the sugar interests in Utah and Idaho, do they not?

Mr. THOMAS. We have their financial reports, and we follow their technical work.

Mr. RAKER. Now, you understand my question, do you not?

Mr. THOMAS. Well——

Mr. RAKER (interposing). If you do not understand, I will make it plain.

Mr. THOMAS. I wish you would make it plainer, please.

Mr. RAKER. The American Sugar Refining Co. has large interests scattered over the United States, has it not?

Mr. THOMAS. Yes; we are interested to a considerable extent.

Mr. RAKER. You have large interests?

Mr. THOMAS. We have interests over the United States.

Mr. RAKER. And the amount involved is something like $90,000,000?

Mr. THOMAS. Yes; that is the capital stock of the company.

Mr. RAKER. Part of it is in New York?

Mr. THOMAS. Yes.

Mr. RAKER. Part in Philadelphia?

Mr. THOMAS. Correct.

Mr. RAKER. Part in Louisiana?

Mr. THOMAS. Yes.

Mr. RAKER. Part in Michigan?

Mr. THOMAS. Yes.

Mr. RAKER. Part in Utah?

Mr. THOMAS. Yes.

Mr. RAKER. Part in Idaho?

Mr. THOMAS. Yes.

Mr. RAKER. Part in Colorado?

Mr. THOMAS. Yes.

Mr. RAKER. And a part in California?

Mr. THOMAS. Yes.

Mr. RAKER. Now, is it not the policy of your company, of which you are a director, to see that your interests are properly provided for and cared for in these various territories?

Mr. THOMAS. Well, going back to the question which you started with, it does not go to the extent in any way of regulating the prices for these different concerns. We are interested, but they are our competitors.

Mr. RAKER. Now, Mr. Thomas, did you understand my question?

Mr. THOMAS. I thought I did; yes.

Mr. RAKER. You did not answer it. I will give you an opportunity again. I did not ask anything about controlling prices, did I?

Mr. THOMAS. Well, you started in about prices.

Mr. RAKER. I want to be fair on this, and I want you to be fair with me. I did not ask anything about controlling prices, did I?

Mr. THOMAS. Well, you used the word "prices" expressly.

Mr. RAKER. All right. You do not intend to have this committee understand, do you, that, having in the neighborhood of $25,000,000 involved and invested in the States of Michigan, Utah, Colorado, and California, you do not pay any attention to that property?

Mr. THOMAS. No; we do pay attention to it.

Mr. RAKER. That is exactly what I asked.

Mr. THOMAS (continuing). To see that the technical results are favorable and that the management is good.

Mr. RAKER. Then, being a director, as you are, you feel a responsibility to the rest of the directors and the stockholders of that corporation, do you not?

Mr. THOMAS. Yes.

Mr. RAKER. You have a public trust to carry out, have you not?

Mr. THOMAS. Yes.

Mr. RAKER. Now, you do not intend to tell this committee that this corporation, through its board of directors, does not keep close watch upon the properties in which you have invested in these various States?

Mr. THOMAS. Of course we keep a watch on them.

Mr. RAKER. And you know what is going on?

Mr. THOMAS. Well, we do, in a general way.

Mr. RAKER. And have reports?

Mr. THOMAS. About their results.

Mr. RAKER. You have reports from these various institutions?

Mr. THOMAS. We have reports occasionally, when they send them to their stockholders.

Mr. RAKER. What do you mean by that?

Mr. THOMAS. I do not know whether they send them in monthly, but I think they do, generally.

Mr. RAKER. It is either monthly or yearly, is it not?

Mr. THOMAS. Or semiannually or yearly; yes.

Mr. RAKER. In other words, you keep just as close a watch over and are just as much interested in the money invested in these various institutions in the States named—in Michigan, Idaho, Utah, Colorado, California, and Louisiana—as those properties which you have in other places, do you not?

Mr. THOMAS. As I say, we keep a watch over their working and operation and see that our investment is safe.

Mr. RAKER. Then you keep just as close a watch over those properties as you do property in any other place, do you not?

Mr. THOMAS. Well, I do not quite understand that.

Mr. RAKER. You do not intend to tell this committee, as a member of the board of directors, that having $30,000,000 invested in these places and having your stock upon the markets you do not give proper care and attention to that property as a member of the board of directors, do you?

Mr. THOMAS. No, sir; I do not.

Mr. RAKER. Well, you do give it care and attention?

Mr. THOMAS. We do.

Mr. RAKER. And look after it?

Mr. THOMAS. Yes.

Mr. RAKER. Are interested in it?

Mr. THOMAS. Yes.

Mr. RAKER. Receive reports from those various institutions?

Mr. THOMAS. Yes.

Mr. RAKER. Keep track upon the market?

Mr. THOMAS. Well, we do not keep track upon the price at which they sell their sugar, if that is what you mean.

Mr. RAKER. You keep your eye upon the condition of those properties, do you not?

Mr. THOMAS. Yes.

Mr. RAKER. And you keep in touch with the local conditions of the beet-sugar supply?

Mr. THOMAS. The local conditions?

Mr. RAKER. For the factories.

Mr. THOMAS. No; they look out for that; that is their individual field.

Mr. RAKER. If the beets are paid for at an enormous price and beyond what they are worth, you people would know it, would you not?

Mr. THOMAS. I suppose we would; yes.

Mr. RAKER. Stop to think a moment. You do not intend to have the committee believe that if the local men in the district there were paying three different prices for the beets, and you people having your money in there, you would not pay any attention to it?

Mr. THOMAS. I suppose the manager might report it, if such a thing occurred.

Mr. RAKER. That is your manager's business, is it not?

Mr. THOMAS. Yes; the local manager.

Mr. RAKER. Then, may I put this question to you and see whether this is about the fact: That as to your properties, no difference where they are located or how interwoven they may be with other institutions, you do give them all careful attention to the end that they may produce revenue and that you may receive enough money over and above the cost of conducting them to pay the stockholders a dividend and the cost of the officers?

Mr. THOMAS. I think that is a correct statement.

Mr. RAKER. Then, if it has heretofore been testified to by other parties that the American Sugar Refining Co. paid no attention to these institutions and took no interest in them—that is, in Michigan, Utah, Colorado, California, Idaho, and Louisiana—it is a mistake?

Mr. THOMAS. Was that testified to, that we paid no attention?

Mr. RAKER. I am asking you if such a statement was made, whether it is a fact or not?

Mr. CRAWFORD. There is nothing of the sort in the record. I object to putting such a statement into the mouth of the witness when it is not in the record.

The CHAIRMAN. If it is not in the record that fact will be shown, and no harm will be done.

Mr. RAKER. I do not want to assume anything that will throw the witness off his feet.

The CHAIRMAN. I will ask to have the question repeated.

(The stenographer repeated the question as follows:)

Then, if it has heretofore been testified to by other parties that the American Sugar Refining Co. paid no attention to these institutions and took no interest in them—that is, in Michigan, Utah, Colorado, California, Idaho, and Louisiana—it is a mistake?

The CHAIRMAN. That is a perfectly proper question.

Mr. THOMAS. That is true. If that statement was made that we paid no attention to any of these things, I would say that was incorrect.

Mr. RAKER. The witness was very fair with me. He says he gave as much attention to these other pieces of property as at other places.

Mr. CRAWFORD. He never said that.

Mr. THOMAS. I never said that.

Mr. RAKER. Of course I have not been in the habit of having two men interfere with the witness.

Mr. CRAWFORD. I beg your pardon.

Mr. RAKER. That is all right. I want to say, Mr. Chairman, that I am taking a little time on this, but it seems to me so natural that if men are directors of a corporation with a capital stock of $40,000,000,

and have due regard for those who have their money invested, they are going to give attention to every particle of business where this money goes. Is not that right, Mr. Witness?

Mr. THOMAS. We do give attention to——

Mr. RAKER (interposing). Do not make any distinction, do you?

Mr. THOMAS. Well——

Mr. RAKER (interposing). I will get at it in another way. You do not make any distinction as to the interest you have in the property, or the way the business is run on a piece of property located in Michigan, than you do in regard to property which the corporation owns in New York, do you?

Mr. THOMAS. Well, I should rather put it that we watch what they are doing and have little to do with the direct control, unless things are going wrong. But here in the East we have more and closer connection with the companies; it is quite different.

Mr. RAKER. But is it not the policy of men, and particularly of a board of directors—while they do not have that close, personal, everyday contract, as we know, with a piece of property located a long ways off—to keep their hand on the throttle and in touch with what is going on?

Mr. THOMAS. Oh, yes; that is correct, to a certain extent.

Mr. RAKER. And would you not think it was mismanagement upon the part of the board of directors of the American Sugar Refining Co. to neglect to attend to the business and interests of the company in Michigan?

Mr. THOMAS. Certainly.

Mr. RAKER. The same way in Utah?

Mr. THOMAS. Yes.

Mr. RAKER. The same in Colorado?

Mr. THOMAS. Yes.

Mr. RAKER. The same in Idaho?

Mr. THOMAS. Yes.

Mr. RAKER. The same way in California?

Mr. THOMAS. Yes.

Mr. RAKER. And the same way in Louisiana?

Mr. THOMAS. Yes.

Mr. RAKER. Then to sum it all up again, in order that there may be no question about it, you feel, and have always felt, as a member of the board of directors, that you have given the same careful attention to the interests of the American Sugar Refining Co., no difference where they have been located, that you have given to all other interests?

Mr. THOMAS. As far as my position would enable me to.

Mr. RAKER. Sure.

Mr. THOMAS. That is what you want to understand.

Mr. RAKER. I am not asking anything beyond human nature and human power.

Mr. THOMAS. That is all right.

Mr. RAKER. In other words, Mr. Thomas, you would consider that you were not proper to act as a member of the board of directors if you neglected your interests in California, would you?

Mr. THOMAS. No; or anywhere else.

Mr. RAKER. Now, were you ever present at a meeting of the board of directors of the American Sugar Refining Co. at which contributions of money to the various political campaigns were considered?

Mr. THOMAS. Not to the best of my knowledge and belief.

Mr. RAKER. Let us stop a moment and think. You know what I mean?

Mr. THOMAS. I know what you mean.

Mr. RAKER. Of course, a matter of that kind would be important?

Mr. THOMAS. Yes. I have no knowledge and no recollection of any such thing.

Mr. RAKER. Mr. Thomas, I asked these preliminary questions in order to show you were a man of keen perception and insight, and I believe it. You pay close and careful attention to business affairs, do you not?

Mr. THOMAS. I try to.

Mr. RAKER. And it would require a man of that kind upon a directorate to handle property of $90,000,000, scattered all over the United States, would it not?

Mr. THOMAS. Yes; I think that would be desirable.

Mr. RAKER. And your people tried to get that class of men, did they not?

Mr. THOMAS. I think we have generally.

Mr. RAKER. Now, have you not heard the question talked over as to contributing money to political campaigns?

Mr. THOMAS. No; not to the best of my knowledge and belief.

Mr. RAKER. For the purpose of keeping down any opposition on either side?

Mr. THOMAS. No; I have not.

Mr. RAKER. Well, is it not a fact that money was contributed to both parties——

Mr. THOMAS. Not to my knowledge.

Mr. RAKER (continuing). To both political parties—no difference which one succeeded—for keeping the American Sugar Refining Co. out of trouble?

Mr. THOMAS. Not to my knowledge.

Mr. RAKER. Did you ever hear that discussed?

Mr. THOMAS. No; I never heard it discussed.

Mr. RAKER. Never heard it mentioned?

Mr. THOMAS. No; not to my knowledge.

Mr. RAKER. Did you have any interest in the business of the American Sugar Refining Co. in 1893?

Mr. THOMAS. Yes; I was in the Boston office at that time.

Mr. RAKER. Well, of course, you have looked over the records of the American Sugar Refining Co.; that is, of its board of directors, have you not?

Mr. THOMAS. Well, as the occasion required.

Mr. RAKER. Have you not heard that discussed?

Mr. THOMAS. No; I have not heard it discussed.

Mr. RAKER. The minutes of the board of directors looked pretty bad, because it occurred a few months before the election. Have you not heard that discussed?

Mr. THOMAS. No; I have not.

Mr. RAKER. Did you read over the minutes when you went back? For instance, if you meet to-day and then meet a month from now

do you read over the minutes of the previous meeting and approve them?

Mr. THOMAS. You mean personally?

Mr. RAKER. No; the secretary.

Mr. THOMAS. Well, the custom is that the minutes are read over and then approved.

Mr. RAKER. You did that in your way of doing business as a director?

Mr. THOMAS. We do that; yes.

Mr. RAKER. You did do it?

Mr. THOMAS. Well, you spoke about political contributions, but I have no recollection of any such thing.

Mr. RAKER. I have had the minutes and read them over. They do not say there was a contribution, but say that you were asked for a contribution; and the record contains some stars, and then that the secretary is ordered to draw up a particular resolution to give it to the party.

The CHAIRMAN. What did you say about stars?

Mr. RAKER. The stars appear there, indicating a blank, and you can interpret those stars as you desire.

Mr. FULLER. The stars represent the Democratic Party, do they not?

Mr. RAKER. I am asking him whether it was Democratic or Republican; it does not make any difference to me. Such a method ought to be condemned by anybody.

Mr. THOMAS. You mean that your general principle is that it ought to be condemned?

Mr. RAKER. Yes.

Mr. THOMAS. Yes; that is quite right.

Mr. RAKER. To repeat it again, as I understand it, you have no knowledge of that at all?

Mr. THOMAS. I have no knowledge.

The CHAIRMAN. When will your subcommittee be ready to report on those minutes?

Mr. RAKER. If I had this minute here I could read it to the witness and he would understand to just what minute I referred.

Mr. CRAWFORD. Do you remember the date of it?

Mr. RAKER. I would not want to say as to the date, because I might be mistaken.

Mr. CRAWFORD. It might be a Democratic year.

Mr. RAKER. To be honest with you, if I recollect it correctly—and Mr. Madison will correct me if I make a mistake—I think it was along about in October, 1892.

Mr. FULLER. That was before he was a director.

Mr. MADISON. Mr. Gannon, have you the records here?

Mr. GANNON. No; they are not here.

The CHAIRMAN. Have you had the typewriting finished for the committee?

Mr. GANNON. It is being finished now.

The CHAIRMAN. When will we get it?

Mr. GANNON. To-morrow morning.

Mr. RAKER. Whether that was Democratic or Republican, I am unable to answer.

Mr. THOMAS. That was before my time. I think you made the statement that it was in 1892.

Mr. RAKER. Yes.

Mr. THOMAS. I came in 1893.

Mr. RAKER. I know. But why is it and how is it that no man knows anything on earth about the sugar business or the condition of the property or about the officers until the very moment he becomes an officer?

Mr. THOMAS. Well, that seems to me to be rather natural, that he would not know so much about it.

Mr. RAKER. Is it natural?

Mr. THOMAS. Yes.

Mr. RAKER. It seems the most natural thing on earth that a man who goes into a directorate of such magnitude should know the history of what has occurred; should know the condition of the company's property; should know the method of running the business, and that he can not get out of it unless he closes his eyes and puts cotton in his ears. It appears that way to me. Does it not strike you that way?

Mr. THOMAS. Well, I can not agree with your entire statement.

Mr. RAKER. Well, the majority of it you will agree with?

Mr. THOMAS. I do not know what per cent of it.

Mr. RAKER. Well, the biggest per cent of it, would you not?

Mr. THOMAS. Well, I could not fix the exact percentage.

Mr. RAKER. All right. What about the campaign of 1908?

Mr. THOMAS. I have no recollection of that.

Mr. RAKER. You were a member of the board of directors at that time?

Mr. THOMAS. Undoubtedly.

Mr. RAKER. And were president and manager during that time?

Mr. THOMAS. 1908? Yes; I was.

Mr. RAKER. Now, tell us how much money it was.

Mr. THOMAS. I will tell you they did not get a cent; nobody got a cent; not one.

Mr. RAKER. Did they ask for anything?

Mr. THOMAS. I have no recollection that anybody asked for anything.

Mr. RAKER. Well, now, let us see. Do you pretend to tell me or the committee that if either political party would have asked for a contribution that you would not remember it?

Mr. THOMAS. Well, I might modify that and say they did not ask; neither political party asked for one cent, and if they had they would not have gotten it.

Mr. RAKER. How about 1904?

Mr. THOMAS. Well, I do not know about 1904. I have covered that, I think, by saying I know nothing about political contributions.

Mr. RAKER. How could we find that out? How would it be entered in the record of the corporation?

Mr. THOMAS. I do not know.

Mr. RAKER. Will the books show the purpose for which the item was expended?

Mr. THOMAS. I do not know how much in detail the books are kept.

Mr. RAKER. Did your people contribute or furnish anything to the fund that Mr. Harriman provided in 1904 for political purposes?

Mr. THOMAS. I never heard of it; not to my knowledge.

Mr. RAKER. How could we find out from the books? How would we get at it?

Mr. THOMAS. I do not know. I feel quite safe in saying there was never any such thing.

Mr. RAKER. Well, how would we go about it to find out in the books?

Mr. THOMAS. I do not know.

Mr. RAKER. You have had a lot of experience. Suppose we wanted to find out as to the expenditures of money as entered on the books of the American Sugar Refining Co., could a man find it out from the books—that is, where the money went to?

Mr. THOMAS. I imagine he could—most everything—but when you ask about political contributions which we never made I do not think you can find them on the books.

Mr. RAKER. I ask you about this, Mr. Thomas, because we found on the records of the corporation that there were applications made by political parties to the board of directors for money; and while they did not directly say what they did, a lot of stars appeared on the record, and it was stated that the secretary would do the rest.

Mr. THOMAS. Well, I can not tell you; I do not know.

Mr. FULLER. That was not in 1904.

Mr. CRAWFORD. That was in 1892?

Mr. RAKER. My reference was to 1892.

Mr. FULLER. That was before the witness became a director.

Mr. RAKER. He became a director in 1893, and such an instance occurring just before I thought he would remember it.

Mr. THOMAS. Well, I have not recollection of it.

Mr. RAKER. Well, of course, if you do not know, we can not get it. Now, you were present when the board of directors met at the last meeting preceding their annual election, were you not, ordinarily?

Mr. THOMAS. Well, I can not say whether I was or not.

Mr. RAKER. Let us stop and think a moment, because this is important, Mr. Thomas. For instance, you had your meeting in January of each year for the election of officers?

Mr. THOMAS. Yes.

Mr. RAKER. Now, ordinarily, you were present, were you not?

Mr. THOMAS. I can not say.

Mr. RAKER. If the record shows you were present, you were there?

Mr. THOMAS. Undoubtedly.

Mr. RAKER. You folks had a method in the board of directors of picking out in advance the directors you wanted elected by the stockholders, did you not?

Mr. THOMAS. Yes; they were nominated.

Mr. RAKER. Oh, no; not nominated. The board of directors would say: We want Mr. Parsons and Washington B. Thomas elected, and the secretary was directed to notify the stockholders as to the people you wished elected?

Mr. THOMAS. Well, the stockholders were notified that they were nominated, and if they cared to vote for them they could send their proxies to do so; if they did not care to send their proxies, they could come to the meeting in person.

Mr. RAKER. Is it not a fact that at one meeting at least you only had 11 stockholders present?

Mr. THOMAS. Well, we very rarely had any more than that.

Mr. RAKER. And these same men that composed the board of directors were then constituted into a meeting of the stockholders with their previous resolution that they should be elected to the directorate, and that from 10 to 15 men ran the whole business?

Mr. THOMAS. Well, there was no attempt to run it.

Mr. RAKER. I did not say attempt.

Mr. THOMAS. The stockholders could have nominated anybody.

Mr. RAKER. That was the rule then, was it not?

Mr. THOMAS. Well, the directors managed it, of course, but the stockholders managed the stockholders' meeting. There was a proxy committee, you know, which voted the proxies, and no stockholder was under any compulsion whatever to send in a proxy to approve of that; he could have come there and voted himself, or sent his proxy to somebody else.

Mr. RAKER. Now, you have found out that at least one time there were only 11 men present as stockholders?

Mr. THOMAS. I never counted them, but I should think very likely.

Mr. RAKER. Now, is it not a fact that the board of directors would select the persons they wanted on the board of directors to be elected for the next term?

Mr. THOMAS. Oh, yes.

Mr. RAKER. Now, did not the board of directors direct the secretary to send to the stockholders a notice to the effect that it would be to the interest of the corporation to have these men elected, or words to that effect?

Mr. THOMAS. I do not think words to that effect. They were merely nominated, but I do not remember the wording of the proxies.

Mr. RAKER. You were always anxious to keep these same directors in office?

Mr. THOMAS. Unless there was some great objection to some one.

Mr. RAKER. Was not that the policy of the board of directors?

Mr. THOMAS. We thought it would be good, but they were constantly changing; the stockholders could vote a change.

Mr. RAKER. Not what they could have done. I am talking about the policy of the board of directors. These men continued on the board until they died, or something like that happened, did they not?

Mr. THOMAS. Well, there were slight changes from time to time.

Mr. RAKER. But it only occurred in that way until within the last year; is not that right?

Mr. THOMAS. Well, I do not know in what way it occurred; I can not say.

Mr. RAKER. That is your recollection, is it not?

Mr. THOMAS. Possibly it is.

Mr. RAKER. You know as a matter of fact there never was a director elected against the wishes of the board of directors that existed in December preceding the time of election of the January following?

Mr. THOMAS. I think that is probably quite correct.

Mr. RAKER. And the purpose of the board of directors, up until, as you stated, within the last year, was to keep the information as to the condition of the corporation from the public?

Mr. THOMAS. I should hardly agree to that altogether. We never made a report up to that time.

Mr. RAKER. Do you know anything about what the conditions of the laws of New Jersey were during the time you were on the board of directors, as to requirements of a majority of the stockholders to elect a board of directors?

Mr. THOMAS. No; I am not familiar with the laws of New Jersey.

Mr. RAKER. Is that right?

Mr. CRAWFORD. A majority of the stock, but not a majority of the stockholders.

Mr. RAKER. I mean a majority of the stockholders.

Mr. FULLER. A majority of the number of shares represented at a meeting.

Mr. RAKER. Do you think that was the law during this time?

Mr. FULLER. I think it was. Let me tell you one thing. It is a majority of the shares represented at a meeting, but it takes a majority of the whole to have a quorum present at a stockholders meeting.

Mr. RAKER. And a majority of what?

Mr. FULLER. Of the whole number of shares issued.

Mr. RAKER. It takes, in other words, somebody representing a majority of the stock issued, to hold a stockholders meeting?

Mr. FULLER. Yes; whether the stock is represented in the person of the stockholder or whether it is represented by his proxy, it takes a majority of the whole to make a quorum. Then a majority of those represented in that way, a majority of the number of shares represented at the meeting, would control.

Mr. SULZER. Each share of stock has one vote?

Mr. FULLER. Yes.

Mr. RAKER. What I am trying to show and have appear is that for some reason they would get down as low as 11 men present at a stockholders meeting representing a property amounting to $90,000,000.

Mr. FULLER. Of course, but those 11 men or some of those 11 men held the proxies for the various men or shareholders all over the country.

Mr. RAKER. Yes; and that they were the same men that started, away back in 1898, and just continued right on down electing themselves and requesting that they should be elected.

Mr. FULLER. All of which goes to show the stockholders have great confidence in those men and were satisfied with the way their property was being run.

Mr. RAKER. Draw your deduction as you think best.

Mr. FULLER. Necessarily it does show that.

Mr. CRAWFORD. That is true of almost every large corporation, Mr. Raker.

Mr. RAKER. I would not like to argue it with you. I am here to get the testimony; that is all.

Mr. FULLER. I have attended a great many corporate meetings in Jersey, permit me to say, and it is very rarely, indeed, that you see as many as 11 present, because the proxies represent the stockholders. If any stockholder wants to attend that meeting or wants a different proxy, he goes over and attends the meeting or has a different proxy, and there is no coercion of stockholders, and there is no rule against each and any stockholder being represented at that meeting in person or by his counsel or by his attorney in fact or whoever he wants to represent him.

Mr. RAKER. But, my dear sir, did you ever stop to think that as to a corporation such as this, of $90,000,000 of property, that gave no publicity to what was going on, and that they were ready and willing always to pay their stockholders the dividend called for in the certificate—that the suffering public generally did not care a tinker's darn how they got their money so long as the money was paid and how they may trample upon the rights of the people.

Mr. FULLER. I think it is a magnificent compliment to the men running the company that the stockholders of the company have this confidence in them.

Mr. RAKER. I do not say any particular company; I am just generalizing.

Mr. FULLER. I just gave my view. That is the way I would interpret it.

Mr. RAKER. I am not going to put any interpretation upon it now, Mr. Fuller.

Mr. FULLER. I did not mean you were. I was endeavoring to help you.

Mr. RAKER. Still, I have seen some corporations myself, and I have found out that the fellows who are always on the board and always electing their own members, afterwards, after a succession of years, pretty nearly have the thing in their grasp, and they do just about as they want to do and the public as well as the stockholders have been given no consideration on earth; and I believe if you give any man unlimited power and continue it, they will do the same thing. Take the best man on earth and he can be corrupted with power. He gets intoxicated with power and goes mad with it, and he will trample on everybody that gets in his road.

Mr. FULLER. His power is subject to be terminated at the end of every year under the statute here.

Mr. RAKER. But I am trying to show that that was so arranged that nobody could terminate the power. However, we will drop the subject.

Did you know Mr. Heike, Mr. Thomas?

Mr. THOMAS. Oh, yes.

Mr. RAKER. Did you ever talk with him?

Mr. THOMAS. Yes, sir; I did.

Mr. RAKER. Do you remember or do you know whether or not Mr. Havemeyer ever spoke to Mr. Heike when he came into the offices at any time?

Mr. THOMAS. Undoubtedly.

Mr. RAKER. What do you think about it?

Mr. THOMAS. If he went into his office, he naturally spoke to him.

Mr. RAKER. When he came in the board of directors?

Mr. THOMAS. I suppose he said, "Good morning," or something like that.

Mr. RAKER. Mr. Thomas, Mr. Havemeyer consulted you people on the conditions of business, did he not?

Mr. THOMAS. He consulted a little. He generally formulated his own ideas. He was a man of independent judgment.

Mr. RAKER. Just name a man that was ever on that board of directors that was not a man of his own independent judgment?

Mr. THOMAS. I think they were all guided by Mr. Havemeyer's knowledge of the situation.

Mr. RAKER. That is not the question. Name me a simple-minded, feeble man on that board of directors?

Mr. THOMAS. I do not know any feeble-minded man on the board of directors.

Mr. RAKER. They were all able-bodied men and mental giants, were they not?

Mr. THOMAS. They were sound and well, I should think. I do not know whether they were giants or not.

Mr. RAKER. You never heard of any of them being discussed as weak-minded men, so far as the public was concerned, did you?

Mr. THOMAS. No, sir; I did not.

Mr. RAKER. I do not want the impression to go out that in the board of directors they were not men of standing and men of capability and men of brains. That is not, is it not?

Mr. THOMAS. It is not for me to say, I think.

Mr. RAKER. All except yourself?

Mr. THOMAS. Except myself; yes.

Mr. RAKER. And I will give my testimony that I think you would take care of yourself any place on the road, Mr. Thomas, physically and mentally.

Mr. THOMAS. Thank you.

Mr. RAKER. I understand you know nothing about labor conditions.

Mr. THOMAS. No; not closely. I am not closely in touch with them.

Mr. RAKER. And never have been?

Mr. THOMAS. And never have been; no.

Mr. RAKER. Then I will take no time on that. Willett & Gray are publishers of a journal here in New York, are they not?

Mr. THOMAS. They are.

Mr. RAKER. You gave an answer this morning that rather startled me—that they were brokers. Is that right?

Mr. THOMAS. They are brokers, and they are statisticians, too—but primarily statisticians.

Mr. RAKER. Are they brokers?

Mr. THOMAS. Yes; they sell refined sugar principally——

Mr. RAKER (interposing). And for whom do they sell it?

Mr. THOMAS. They sell that for the different refineries to the jobbers.

Mr. RAKER. Name some of them to whom they sell, or rather for whom they sell?

Mr. THOMAS. They do not do much in it. I fancy they sell for all of them.

Mr. RAKER. Name one they sell for, will you?

Mr. THOMAS. I think they sell for the National. I know of no particular instance, but I am sure they do—and the Federal and Warner and the American—if they ever brought an order into us. They communicate with the jobbers in the West by telegraph—all these New York brokers—and then they send in their orders, and then the brokers go to the different refinery offices and get their orders filled.

Mr. RAKER. You think that Willett & Gray as brokers are like the other brokers in the sugar market?

Mr. THOMAS. Not to that extent.

Mr. RAKER. Not so exclusively?
Mr. THOMAS. No; not nearly.
Mr. RAKER. Not nearly?
Mr. THOMAS. I do not think so. They were especially statisticians.
Mr. RAKER. Whom does the broker represent in the sale of refined sugar?
Mr. THOMAS. The broker really represents the person who pays him the commission, which is the refiner. The refiner pays him a commission, and he often works for both, trying to bring them together.
Mr. RAKER. And gets a commission from both sides?
Mr. THOMAS. No; he only gets a commission from the refiner.
Mr. RAKER. From the seller?
Mr. THOMAS. From the refiner.
Mr. RAKER. These sugar brokers, as you have stated now, work for the American Sugar Refining Co., the Federal Sugar Refining Co., Arbuckles, and Warner. Is that right?
Mr. THOMAS. Yes.
Mr. RAKER. Then here is one man who is the agent of all four of these refineries. Is that the fact?
Mr. THOMAS. Not the sole agent. He is a very small agent. There are a great many others in the business.
Mr. RAKER. I do not care whether he is the sole agent or otherwise; but if he is selling sugar and getting a commission for it and represents the American Sugar Refining Co., he is its agent or broker?
Mr. THOMAS. He is its agent on that one sale.
Mr. RAKER. He is the agent on that one sale?
Mr. THOMAS. Yes.
Mr. RAKER. And if he is selling for the other people, he would be their agent?
Mr. THOMAS. Their agent on the sale for them.
Mr. RAKER. And we find one man representing practically at the same time these four refineries?
Mr. THOMAS. I should hardly say that. There are 50 brokers in New York, or maybe 60.
Mr. RAKER. If he did represent them as you have stated——
Mr. THOMAS (interposing). He represents each refinery whose sugar he happens to sell.
Mr. RAKER. Explain to the committee now and give it in your own language what the broker's business is in handling sugar here in New York.
Mr. THOMAS. The broker gets his order from the grocer, and then he takes that order to the refiner, and the refiner fills the order.
Mr. RAKER. Is that all he does?
Mr. THOMAS. Yes; that is all he does.
Mr. RAKER. How much does he get?
Mr. THOMAS. I think he gets generally 10 cents a barrel—10 or 5 cents; I forget which it is—10 cents under one condition and 5 cents under another.
Mr. RAKER. Supposing I wanted to start in the brokerage business to-morrow here in New York, would there be any restriction against me going to the American Sugar Refining Co., and Warner, and Arbuckle, and the Federal and asking to handle their sugar?

Mr. THOMAS. No. Any discrimination against you, you mean?
Mr. RAKER. Yes.
Mr. THOMAS. No; none whatever.
Mr. RAKER. Would it be permitted?
Mr. THOMAS. No; certainly not.
Mr. RAKER. Would it be permitted, and is it proper for a man to thus be the agent of these four people at the same time in the brokerage business in New York?
Mr. THOMAS. It might be; because frequently the purchaser will telegraph that he would prefer to have the sugar bought of Warner, or the American, or the National.
Mr. RAKER. It is very important, as it appears to me—of course, it may not be important to anybody else; but as long as the chairman has permitted me to go into this line I will follow it out a little further. Do I understand it is perfectly legitimate for a broker to represent the four factories at the same time?
Mr. THOMAS. Yes; under the conditions which exist here.
Mr. RAKER. Under the conditions which exist here?
Mr. THOMAS. Yes.
Mr. RAKER. Then that gives the broker an opportunity to be in touch with the four refineries all at the same time. If he keeps his phone to his ear, he knows exactly what the price was within half a minute?
Mr. THOMAS. Yes; and he goes to the one that sells the cheapest. He gets the different prices from these different refiners on different kinds of shipments, and he fills the order in the way which he thinks will best suit his customer.
Mr. RAKER. When the American Sugar Refining Co. is selling sugar on the market here at five, the Federal sells at five, does it not?
Mr. THOMAS. Not always. They sell at their own price.
Mr. RAKER. Generally?
Mr. THOMAS. No; but——
Mr. RAKER. Does not Arbuckle?
Mr. THOMAS. They sell at whatever they like. They are up and down.
Mr. RAKER. Are there many instances where there is much up and down to that in the last 10 years?
Mr. THOMAS. Oh, yes; a great many; a great many; a great many.
Mr. RAKER. If Willett & Gray's journal shows there is not, there would not be? That is right, is it not?
Mr. THOMAS. I do not know whether they would show every daily fluctuation. I do not know about that.
Mr. RAKER. If Willett & Gray's journal shows sugars are going up 10 points at the American Sugar Refinery, and over in Arbuckles it goes up the same, and at Warner's the same, and the Federal the same, it would not be unnatural, would it?
Mr. THOMAS. No; that might happen.
Mr. RAKER. Who gets this extra money? Does the broker get it, or does the refinery get it?
Mr. THOMAS. What do you mean?
Mr. RAKER. On the extra price, if the price goes up 10 points.
Mr. THOMAS. If the raise is 10 points, the refiner gets it on his own product.
Mr. RAKER. The broker does not get it?

Mr. THOMAS. No; the broker does not get it. He is paid for his services as agent and salesman.

Mr. RAKER. Mr. Thomas, does it not appear to you that by virtue of this broker these four refineries are just right elbow to elbow all the time?

Mr. THOMAS. No; it does not.

Mr. RAKER. One can not do business without the other one knowing, particularly with the same broker.

Mr. THOMAS. They may know more about what they are doing, or something about what they are doing, but that by no means means uniformity of prices, or anything of that kind, because this knowledge of what the refiners are doing is of common knowledge on the street. There are 50 or 60 brokers, and everybody knows. The whole situation is wide open.

Mr. RAKER. Is not this, then, the condition: The brokers knowing it, and it being wide open, they have to deal with one of these four refineries?

Mr. THOMAS. Yes.

Mr. RAKER. If there are 60 brokers, they must deal with one or all or less than all of these four refineries?

Mr. THOMAS. Yes; they have a great deal with these refineries.

Mr. RAKER. And there are only four running there—Warner's, the Federal, the American, and Arbuckle?

Mr. THOMAS. Yes; and the National; that is five.

Mr. RAKER. You did not want to throw me into the National? That National is just right in the grip and has been in the grip of the American Sugar Refining Co., just like a boy is in the grip of his father, is it not?

Mr. THOMAS. No.

Mr. RAKER. Is it not a matter of fact that the same board of directors has been on the National right along, all the time, and is yet?

Mr. THOMAS. No; to a certain extent there were some American directors——

Mr. RAKER (interposing). You did not change them?

Mr. THOMAS. Yes; we did.

Mr. RAKER. This last time you undertook to elect, you did not have a quorum. Is it not a fact that there was not a quorum and and they did not attend, so they could not elect new members?

Mr. THOMAS. This last time, I believe that is a fact. I do not know; I had nothing to do with it, but the directors were changed. We had some American directors and they resigned.

Mr. RAKER. For the sake of the presentation of the matter, I will not go into that further.

These 60 brokers must deal with these five refineries; that is right, is it not?

Mr. THOMAS. Yes.

Mr. RAKER. And they must keep in touch with them?

Mr. THOMAS. Yes.

Mr. RAKER. And then these 60 brokers are handling the refined sugar of these five refineries and each is elbow to elbow with the other, so far as the public is concerned?

Mr. THOMAS. Yes.

Mr. RAKER. And if the price goes up, the balance of them ordinarily go up the same?

Mr. THOMAS. You can not always tell.

Mr. RAKER. Ordinarily?

Mr. THOMAS. Well, I do not know.

Mr. RAKER. And when the price goes down, ordinarily when the American price drops, when the American Sugar Refining Co. drops its price 10 points, we find the others practically dropping down 10 points, too?

Mr. THOMAS. I want to tell you the American Sugar Refining Co. does not always lead in these things up and down. Some of the other refineries do it. We follow the others sometimes.

Mr. RAKER. Name me one instance when you followed the other companies.

Mr. THOMAS. I can not give the dates.

Mr. RAKER. Leave out the date. What occurred, and what was the occasion?

Mr. THOMAS. It happened two or three—three or four times in two or three weeks, undoubtedly.

Mr. RAKER. What was the occasion?

Mr. THOMAS. I do not know. I suppose they were not selling sugar as rapidly as they thought they ought to, and down would go the price. With every reduction in price the demand for our sugars gets lighter, and we have to follow the market ourselves. That is independent action.

Mr. RAKER. Do you know Mr. Mott?

Mr. THOMAS. Yes; I know him.

Mr. RAKER. What business has he been in or done with the American Sugar Refining Co.?

Mr. THOMAS. He has charge of the buying of the raw sugar.

Mr. RAKER. How long has he been doing that business?

Mr. THOMAS. Quite a number of years.

Mr. RAKER. All the raw sugars?

Mr. THOMAS. Yes.

Mr. RAKER. Nothing else?

Mr. THOMAS. Nothing else.

Mr. RAKER. Was he the private secretary of Henry O. Havemeyer for a great number of years?

Mr. THOMAS. I do not know whether he was his secretary or not.

Mr. RAKER. You do not know that?

Mr. THOMAS. I do not know whether he was his secretary of not.

Mr. RAKER. If you do not know I can not get that information from you. Did you know William Henry Barnes?

Mr. THOMAS. No, sir; I do not know him.

Mr. RAKER. You do not know him?

Mr. THOMAS. No; I have no recollection of him.

Mr. RAKER. I must return to one question on which I did not make myself clear, I believe. I made here a memorandum, "The small ones can refine sugar cheaper than the large ones, and we must hold the umbrella over them."

Mr. THOMAS. What I meant by that is that the refining capacity of this country is so large that its full capacity can not be used except in two or three months of the summer, and hardly then, and when the demand falls off the larger refiner that has this excessive capacity is the one that has to cut down. The smaller refinery can keep running full, and consequently, with their capacity running

full, I think there is a good season of the year, or a good part of it, when they can run just as cheaply as the larger houses.

Mr. RAKER. Do I understand from what you have stated that the refining capacity now is largely in excess of the product to be refined?

Mr. THOMAS. It is largely in excess, I think, of the consumptive capacity of the country.

Mr. RAKER. What per cent?

Mr. THOMAS. I can not tell what per cent, but when so many of the refineries have to run half full in the winter it is pretty good evidence that the refining capacity is greater than the capacity for consumption.

Mr. RAKER. Have you made any study of that matter so as to know it from your own first-hand investigation?

Mr. THOMAS. I am quite sure of the fact. I am very sure of the fact. There is no question about it.

Mr. RAKER. Then the more refineries and the more refineries there are running, the cheaper would the product of the refinery be to the consumer?

Mr. THOMAS. It might, except when the refineries began to lose money and were facing this dull season, when they would stop refining so much sugar.

Mr. RAKER. Let us see about that. If, as a matter of fact, the capacity is so extensive, and more sugar being refined in competition with other refineries than the demand calls for, they would have to sell lower to the consumers to get a market?

Mr. THOMAS. Yes, sir; they would have to come down.

Mr. RAKER. And every factory that is closed makes that much less chance for competition?

Mr. THOMAS. Oh, yes.

Mr. RAKER. And the less factories there are, the more control it gives over the one that has the factory in any particular locality?

Mr. THOMAS. I do not quite understand that question.

Mr. RAKER. For instance, there is only one refinery in Louisiana?

Mr. THOMAS. Yes.

Mr. RAKER. I am just assuming that.

Mr. THOMAS. Will you please repeat that question?

Mr. RAKER. The smaller number of refineries gives those who own the refineries a better chance to handle the output?

Mr. THOMAS. Oh, yes; because it reduces competition.

Mr. RAKER. And fixes better prices?

Mr. THOMAS. As I say, the price is fixed by the law of supply and demand, and the raw sugar market.

Mr. RAKER. If you cut down the number of refineries, of course you cut down the amount that is put out?

Mr. THOMAS. Certainly.

Mr. RAKER. And if you cut down the output, of course it gives you a better chance to raise the price?

Mr. THOMAS. When they cut down the output the facts are they generally lower the price, but when they increase the output because of the increased demand, it enables them to raise the price. I think the situation is the reverse from the way you stated it.

Mr. RAKER. Then I will reverse it; that is correct. When you put out the factories and reduce the supply you cause the price to raise; that is what you mean?

Mr. THOMAS. How is that?

Mr. RAKER. If you cut down the number of factories, or the output of a factory, you lessen the supply?

Mr. THOMAS. Yes.

Mr. RAKER. And lessening the supply raises the price that goes out in the country?

Mr. THOMAS. Not always.

Mr. RAKER. But ordinarily?

Mr. THOMAS. I would hardly say that; no, I would not say that, because this cutting down of the capacity of the refinery occurs at a very dull season of the year and generally on a declining market, and a reduction in the output is generally accompanied in the sugar business by a decline in price, because it comes in the winter season when the price of sugar generally normally declines.

Mr. RAKER. As a general proposition, if there are two refineries in any one locality in one city, and one shuts up, it gives the one that holds the factory open an opportunity to raise its price, does it not, because it has no opposition?

Mr. THOMAS. If you limit it to one immediate locality, yes; and such a condition, so far as I know, does not exist in the United States.

Mr. RAKER. If it did exist, that would be the condition, would it not?

Mr. THOMAS. I suppose if there were only one refinery in the neighborhood and the people could get sugar from no one else but that one refinery, they would undoubtedly control that market.

Mr. RAKER. And refined sugar is harder to handle and more expensive to handle than the raw product, is it not?

Mr. THOMAS. There is a little more detail about it in a way.

Mr. RAKER. It is a little more expensive, is it not?

Mr. THOMAS. I do not know that it is.

Mr. RAKER. I read from an expert the other day on that subject, and he stated you could ship the refined sugar—I mean it would cost more to handle it than it would the raw material.

Mr. THOMAS. It probably does cost some more, because it is handled in a little more delicate fashion than the raw sugar. Raw sugar is handled in a wholesale way.

Mr. RAKER. And in speaking of raw sugar, I want to direct your attention particularly to this unrefined sugar—for instance, 96 and 97 and 98 test, such as comes from Louisiana and even, as you said, from Porto Rico.

Mr. THOMAS. Yes.

Mr. RAKER. Does this same good quality of sugar come from the Hawaiian Islands unrefined—96 or 97 or 98?

Mr. THOMAS. I think about 97.

Mr. RAKER. If the American Sugar Refining Co. owns the Franklin and there is such an excess in capacity of refined sugar as to the article to refine, why have not they dismantled the Franklin and used it for other purposes?

Mr. THOMAS. Because we want to keep it as a reserve house in case of fire.

Mr. RAKER. Would it not have this effect: Supposing that some man could go into this place where the Franklin is and want to open a refinery, could not you immediately say and would you not immediately make him feel that you could open up this American refinery, and he would have practically to quit the business?

Mr. FULLER. Now, wait a minute [addressing Mr. Thomas].

(Mr. Fuller here made a whispered statement to Mr. Raker.)

Mr. RAKER. Mr. Chairman, that question I will not insist upon under the objection. I will put another question. If the company had two factories in one place and one was run and the other was closed up, it would have the effect, would it not, of keeping a third from coming into that territory?

Mr. FULLER. I think that has the same effect.

(Mr. Fuller here made a whispered statement to Mr. Raker, who conferred with Mr. Garrett.)

Mr. RAKER. The committee thinks I am encroaching on that matter, and I will not drive any closer to it. I will put this question and let the committee rule on it:

For instance, if in San Francisco there were two refineries, and a company got control of both of them and closed one up and ran the other, would not that have a tendency in San Francisco to keep out a third refinery——

Mr. FULLER (interposing). Now, wait a minute.

Mr. RAKER (continuing)—

for the reason that the corporation, already having a refinery there, ready to start if it was necessary, and this fact being known to those who were going into the business and looking over the situation in the town, would not that have a tendency to discourage and prevent a third factory from going into San Francisco to refine sugar?

I will just leave that to the chairman to pass on.

The CHAIRMAN. That is a perfectly proper question.

Mr. FULLER. But it is very closely related——

The CHAIRMAN. It does not make any difference. He has stated a certain situation to the witness, and then asked the witness if in his judgment that would produce a certain effect; and it seems to me that is a proper question.

Mr. FULLER. But it is a hypothetical question which is based so nearly upon the facts of a real situation that is merely hypothetical in form, and this is whipping the devil around the stump to do the very thing the committee decided it would not do.

The CHAIRMAN. What thing?

Mr. FULLER. Asking this witness any question about the Pennsylvania transaction.

The CHAIRMAN. The only objection we recognize as valid, except, of course, when the thing is entirely disconnected and utterly irrelevant or in the interest of economy of time, is that the witness claims the constitutional right of exemption because the answer would tend to incriminate him. If that is the objection——

Mr. FULLER (interposing). I do not make it in the form of an objection. I was merely suggesting to Judge Raker that this question——

The CHAIRMAN (interposing). I will ask you hereafter not to do that. Hereafter put your objection aloud to the chairman.

Mr. FULLER. I will put it to you yourself. Is that not what the committee decided not to do? It is clothed now in the form of a hypothetical question, but——

The CHAIRMAN (interposing). No; I do not think so. The committee ruled this morning it would not require this witness or any other witness to answer any question concerning a transaction under which the witness, either this witness or any other witness, was

under indictment and for which he was preparing to go to trial. Of course, if that be true in this present instance, then it would be the same thing, and we would sustain the objection. But as I understand it, the only indictment pending against this witness, or against any officer or director of the American Sugar Refining Co., is an indictment pending in this district in the criminal court of this district of the United States relating to this Segal transaction, and this is not in any way connected with that.

Mr. FULLER. The question is virtually this: If this company owns two refineries at a named place—and I think San Francisco was the place named—and one refinery was held in reserve, would not that tend to discourage any other refinery being built? That is assuming a situation which existed in Philadelphia.

Mr. RAKER. But that is really the condition as it actually exists in San Francisco. I think it is possibly true that your possible objection, if we were in a court of law, would be that this is merely speculative and calls for an inference from the witness which the committee might just as well draw; but there is no question of pending prosecution on this San Francisco matter against anybody, and that being true, I think, and the committee being instructed to inquire whether the operations of the American Sugar Refinery or any other refinery would have a tendency to destroy competition in interstate trade and commerce and to affect prices, I think it is a proper question.

Mr. MADISON. This is a question asking for an opinion of the witness, based upon a supposed state of facts. It is not asking for the relation of any of the facts connected with any particular transaction whatever.

Mr. FULLER. You understand that my suggestion is merely that the supposed state of facts is getting a little bit too close to the real state of facts; but I do not think the witness——

Mr. MADISON (interposing). After all, it is a question of his opinion as to the effect upon an economic condition, so it could not tend to incriminate him.

Mr. FULLER. I think the answer which the witness will have to give will require him to put himself into a supposed state of mind to divine the mind of a man we do not know of.

The CHAIRMAN. The witness will have to answer the question.

Mr. THOMAS. Will you kindly repeat the question?

The CHAIRMAN. I will ask the stenographer to read the question.

The STENOGRAPHER (reading).

For instance, if in San Francisco there were two refineries, and a company got control of both of them and closed one up and ran the other, would not that have a tendency in San Francisco to keep out a third refinery, for the reason that the corporation already having a refinery there ready to start if it was necessary and this fact being known to those who were going into the business and looking over the situation in the town—would not that have a tendency to discourage and prevent a third factory from going into San Francisco to refine sugar?

The CHAIRMAN. Answer the question.

Mr. THOMAS. In my opinion, it would not.

The CHAIRMAN. At this point we will suspend, but before we do the Chair desires to make an announcement. Hereafter we will endeavor to hold our sessions until 4.30. To-day we are hardly able to do so, and will therefore adjourn at this time.

I want to announce a subcommittee to take the testimony of one witness. Mr. John Arbuckle is ill at his home at Lake Mohonk, and we are informed by his attorney and physician that he will be unable to come down to New York to give his testimony. The Chair therefore announces the appointment of Mr. Garrett, of Tennessee, and Mr. Madison, of Kansas, as a subcommittee to take the testimony of Mr. Arbuckle.

We will now stand adjourned until to-morrow morning at 10 o'clock, at which time, Mr. Thomas, we will resume your examination.

(Thereupon, at 4 o'clock p. m., the committee adjourned until to-morrow, Wednesday, July 19, 1911, at 10 o'clock a. m.)

No. 24

HEARINGS

HELD BEFORE THE

SPECIAL COMMITTEE ON THE INVESTIGATION OF THE AMERICAN SUGAR REFINING CO. AND OTHERS

WEDNESDAY, JULY 19, 1911

HOUSE OF REPRESENTATIVES

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

SPECIAL COMMITTEE ON THE INVESTIGATION OF THE AMERICAN SUGAR REFINING CO.

HOUSE OF REPRESENTATIVES.

THOMAS W. HARDWICK, *Chairman.*

FINIS J. GARRETT.	GEORGE B. MALBY.
WILLIAM SULZER.	J. W. FORDNEY.
JOHN E. RAKER.	E. H. MADISON.
H. M. JACOWAY, JR.	A. C. HINDS.

II

AMERICAN SUGAR REFINING CO.

SPECIAL COMMITTEE FOR THE INVESTIGATION
OF THE AMERICAN SUGAR REFINING CO. AND OTHERS,
New York, July 19, 1911.

The committee this day met, Hon. Thomas W. Hardwick (chairman) presiding.

The CHAIRMAN. The committee will come to order. Before the witness resumes his testimony the Chair desires to announce the following subcommittee: The subcommittee to examine the books, correspondence, and records of the American Sugar Refining Co., and any other refineries which the subcommittee may desire to inquire into, with authority to employ such assistance as may be necessary, and with instructions to report to the full committee before the time of making the report of the full committee. Messrs. Sulzer, Jacoway, Malby, and Hinds.

I think Judge Raker had about concluded his examination; if not, we will give him a chance later. If any other member of the committee now desires to take up the examination at this point, he may do so.

Mr. SULZER. I would like to ask a few questions.

The CHAIRMAN. All right.

TESTIMONY OF MR. WASHINGTON B. THOMAS—Continued.

Mr. SULZER. Mr. Thomas, very briefly, I will take up with you a different phase of this inquiry, namely, the economic phase of the sugar industry. You, of course, have been engaged in the manufacture of sugar practically all of your life?

Mr. THOMAS. Yes; substantially.

Mr. SULZER. And are familiar with the process of manufacture?

Mr. THOMAS. Well, I am not a technical man, but I am generally familiar with it.

Mr. SULZER. And with the cost of production?

Mr. THOMAS. Well, to a certain extent.

Mr. SULZER. I understood you to say, Mr. Thomas, that the American Sugar Refining Co. did not own any sugar lands?

Mr. THOMAS. Yes.

Mr. SULZER. In Cuba?

Mr. THOMAS. Yes.

Mr. SULZER. In Porto Rico?

Mr. THOMAS. Yes.

Mr. SULZER. In Hawaii?

Mr. THOMAS. Yes.

Mr. SULZER. Or in the Philippines?

Mr. THOMAS. Correct.

Mr. SULZER. Can you tell us whether any of your stockholders are interested in sugar lands in the Philippines?

Mr. THOMAS. Well, the only knowledge I have is what I have seen as a result of the investigation in regard to the ownership of the Philippine lands, where Mr. Havemeyer testified that he and Mr. Senff had an interest.

Mr. SULZER. Do you know whether any of your stockholders are interested in sugar lands in the Hawaiian Islands?

Mr. THOMAS. None that I know of.

Mr. SULZER. Do you know whether any of your stockholders are interested in sugar lands in Cuba?

Mr. THOMAS. I believe that some of them are.

Mr. SULZER. Do you know to what extent?

Mr. THOMAS. I do not know the extent.

Mr. SULZER. Mr. Atkins is a very large owner of sugar lands in Cuba, is he not?

Mr. THOMAS. He has one plantation and possibly an interest in another.

Mr. SULZER. And he is acting president of the American Sugar Refining Co. at the present time?

Mr. THOMAS. Well, he is the first vice president, and I should say is as active as anybody.

Mr. SULZER. Do you know whether your stockholders are interested in sugar lands in Porto Rico?

Mr. THOMAS. I can not recollect any at the moment, but there may be; I do not know.

Mr. SULZER. Or in Louisiana?

Mr. THOMAS. I do not know that.

Mr. SULZER. You are more or less familiar with the production of cane sugar, are you not?

Mr. THOMAS. Well, only slightly.

Mr. SULZER. Tell us briefly what you understand by the differential?

Mr. THOMAS. Well, the differential is the protection of the refined sugar against the raws.

Mr. SULZER. How much is that now?

Mr. THOMAS. That is about 7½ cents per 100 pounds, I think.

Mr. MADISON. To the what?

Mr. THOMAS. Seven and one-half cents to the 100 pounds.

Mr. SULZER. What do you understand by the Dutch standard?

Mr. THOMAS. Well, the Dutch standard is an arbitrary division between what is assumed to be raw sugar, sugar in the raw state, and sugar of a higher grade and lighter color, which is better adapted to go into direct consumption.

Mr. SULZER. In your opinion, if Congress removed the differential, would it or would it not have a tendency to lessen the cost of sugar to the consumers of the United States?

Mr. THOMAS. I think it would have that tendency.

Mr. SULZER. If Congress should remove the arbitrary Dutch standard as at present in the law, would that, in your opinion, have a tendency to cheapen sugar to the consumers of the United States?

Mr. THOMAS. I think that would have that tendency.

Mr. SULZER. If Congress should materially reduce the tariff upon sugar, would that, in your opinion, have a tendency to cheapen the cost of sugar to the consumers of the United States?

Mr. THOMAS. I think it would have that tendency. How great that reduction would be, of course, I do not know, but there would be a good many considerations entering into that, the condition of the market, the supply and demand; and it would be a very difficult matter to determine exactly the per cent of the reduction to the consumers.

Mr. SULZER. To the best of your knowledge, as an expert, tell us just how much, in your opinion, the price of sugar would be cheapened to the consumer if Congress removed all of the tariff?

Mr. THOMAS. Well, I could hardly venture to say.

Mr. SULZER. Have you never considered that phase of this question?

Mr. THOMAS. No. I could not give any estimate of that.

Mr. SULZER. Is the general supply of sugar of the world increasing or diminishing?

Mr. THOMAS. Well, it is rather increasing. It varies year by year. I can get you those statistics, with pleasure.

Mr. SULZER. Would you be good enough to file with the committee and the stenographer the statistics as to the increased production of sugar in the world during the past 10 years?

Mr. THOMAS. I will, with pleasure.

Mr. SULZER. Both as to cane sugar and beet sugar?

Mr. THOMAS. Yes.

Mr. SULZER. The sugar manufacturers of the United States are very experienced and competent people, are they not?

Mr. THOMAS. Well, I think they are about the average; fully as good as the average.

Mr. SULZER. And can manufacture sugar just as good and cheaply in the United States as they can in England?

Mr. THOMAS. Well, I think about; but, of course, there are certain elements that enter into that; the element of the cost of building refineries, I think, is rather more, and labor is rather higher; but I think possibly the efficiency of the work is up to the standard.

Mr. SULZER. The object of all large manufacturers of sugar in the United States is to keep up to the maximum of efficiency and keep down the minimum of expense?

Mr. THOMAS. Undoubtedly.

Mr. SULZER. This is the policy, is it not?

Mr. THOMAS. Undoubtedly.

Mr. SULZER. And in your judgment as a sugar manufacturer the manufacturers of the United States can manufacture sugar just about as cheaply as any manufacturer in any other country of the world?

Mr. THOMAS. I think they can pretty nearly; but I doubt whether they can do it quite as cheaply.

Mr. SULZER. Tell us, then, why it is that the consumers of the United States are compelled to pay more for sugar than the consumers in England?

Mr. THOMAS. Well, it is on account of the duty we have to pay.

Mr. SULZER. That is the only reason in your opinion?

Mr. THOMAS. Yes; I think that is the only reason.

Mr. SULZER. If the duty were removed or materially reduced it, of course, would cheapen the price of sugar to the consumer?

Mr. THOMAS. It would have the effect of reducing the price to the consumer.

Mr. SULZER. What competition does your company really have in the manufacture and sale of sugar in the United States?

Mr. THOMAS. Well, we have the severe competition of the five refineries in New York, the competition of a small refinery in New Orleans, the competition of some refineries which on the plantation make sugar fit for direct consumption, and then the competition of the beet-sugar factories. In fact, on every side we have that competition to meet.

Mr. SULZER. So you consider, as a manufacturer, that you have to compete with others in the United States?

Mr. THOMAS. Undoubtedly.

Mr. SULZER. What does it cost you a pound for raw sugar in New York?

Mr. THOMAS. Well, it varies from time to time. The market now is about 4 5/16 cents. I prefer to give you these figures in writing, in answer to your questions, in order to be sure that I am correct; I do not wish to mislead you at all in any way about it.

Mr. SULZER. Well, that would be very important for the committee; we would like to have you do that.

Mr. FULLER. For what period of time?

Mr. SULZER. Ten years.

Mr. FULLER. The price of raw sugar?

Mr. CRAWFORD. The average price of raw sugar by the month or by the year?

Mr. SULZER. Well, by the month. However, it might be well to have you average it by the year.

Mr. CRAWFORD. Those are all in the record.

Mr. SULZER. I know; but I wanted to have Mr. Thomas verify them.

Mr. CRAWFORD. Those will be Willett & Gray's figures, and they are in the record.

Mr. SULZER. Well, if they are to be the figures of Willett & Gray, it will not be necessary to have them furnished at this time, because, as you say, they are already in the record.

The CHAIRMAN. You said you adopted Mr. Atkins's figures on that subject?

Mr. THOMAS. Yes.

The CHAIRMAN. With the qualifications that you made?

Mr. SULZER. And as Mr. Atkins has corrected them?

Mr. THOMAS. Yes.

Mr. SULZER. Approximately you pay 4 3/16 cents a pound for raw sugar?

Mr. THOMAS. Yes.

Mr. SULZER. What does it cost you, approximately, to manufacture it?

Mr. THOMAS. I can not give it exactly, but roughly about five-eighths of a cent.

Mr. SULZER. At the suggestion of the chairman, I will ask you to be good enough to put that in cents a hundred.

Mr. THOMAS. That would be 62½ cents a hundred pounds.

Mr. SULZER. So, really, if you were selling sugar at 5 cents a pound you would be making some profit, would you not?

Mr. THOMAS. Well, we would be, yes; there would be some profit in that.

Mr. SULZER. What do you sell sugar for now?

Mr. THOMAS. We are selling now at 5.05; I think that is the price to-day.

Mr. SULZER. That is to the jobber and the wholesaler?
Mr. THOMAS. Yes.
Mr. SULZER. Now, what does the retailer sell that sugar for?
Mr. THOMAS. Well, it varies; I can not say exactly.
Mr. SULZER. But it is pretty close, is it not?
Mr. THOMAS. Yes; the jobber and the retailer do not make a great deal of money on the selling of sugar.
Mr. SULZER. In other words, it is the policy of the grocers to handle sugar in order to get other trade?
Mr. THOMAS. Yes; as a sort of—I will not say leader, but it is necessary to keep sugar in the grocery business.
Mr. SULZER. And a great many grocers sell sugar at a loss in order to get trade in tea, coffee, and other things?
Mr. THOMAS. They may do it at times; I think that is very possible.
Mr. SULZER. Did you ever restrict grocers from selling sugar below a certain price?
Mr. THOMAS. No; not to my knowledge.
Mr. SULZER. That has never been the policy of the American Sugar Refining Co., to your knowledge?
Mr. THOMAS. No.
Mr. SULZER. At all events, the American Sugar Refining Co. at the present time does not restrict the wholesaler, the jobber, or the retailer as to what price they shall charge for your sugars?
Mr. THOMAS. Not at all.
Mr. SULZER. You say you now have active competition in the trade?
Mr. THOMAS. Yes.
Mr. SULZER. In other words, you do not consider that at the present time the American Sugar Refining Co. has a monopoly, do you?
Mr. THOMAS. Far from it.
Mr. SULZER. What production of sugar in the United States does the American Sugar Refining Co. control?
Mr. THOMAS. Well, I can not give you that exactly, unless by reference to statistics. I think you have it in the record here.
The CHAIRMAN. Mr. Atkins gave us those figures.
Mr. SULZER. Well, I thought you were very familiar with it and could tell us.
Mr. THOMAS. Well, I would rather not trust my memory.
Mr. SULZER. And you do not want to approximate it?
Mr. THOMAS. No; I do not.
Mr. SULZER. But it is less than 50 per cent, is it not?
Mr. THOMAS. Yes; it is less than 50 per cent.
Mr. SULZER. And hence you as a merchant and as an official of the American Sugar Refining Co. do not consider that corporation a trust in any sense of the word?
Mr. THOMAS. Well, it is hard to know what a trust is, from my point of view, but I certainly do not consider it a monopoly.
Mr. SULZER. The price of sugar to the consumer and to the wholesaler is not fixed by the commodity in New York or in the United States, is it?
Mr. THOMAS. It is rather a world price rather than a New York price.
Mr. SULZER. In other words, the price of sugar, as a general thing, is fixed in Hamburg or London?

Mr. THOMAS. Yes.

Mr. SULZER. And the price fixed there to a large extent regulates the price in this country?

Mr. THOMAS. That is correct.

Mr. SULZER. In other words, if the price in Hamburg should materially increase, the price in the United States would materially increase?

Mr. THOMAS. It would probably advance here; yes.

Mr. SULZER. And if the price in London should materially decrease, it would follow as a natural sequence that the price in the United States would decrease?

Mr. THOMAS. Yes; probably.

Mr. SULZER. Is there anything, in your opinion as an expert in the manufacture of sugar, that Congress can do by way of legislation to reduce the cost of sugar to the consumer?

Mr. THOMAS. Well, I have told you that I think if the duty were entirely taken off the natural result would be a reduction in the price of sugar to the consumer.

Mr. SULZER. That is all.

The CHAIRMAN. Does any other gentleman desire to ask any questions of this witness?

Mr. JACOWAY. I desire to ask him some questions.

Mr. THOMAS. Mr. Chairman, I should like to make one statement. I do not wish to appear before the committee as an expert in regard to many of these refining matters, and if I am not able to answer some of your questions offhand it would give me great pleasure to present such answers to you in written form, in order to be sure that the statement is accurate and correct.

The CHAIRMAN. Well, we have usually allowed the witness, Mr. Thomas, to make subsequent corrections where little inaccuracies of that kind have crept into the testimony. If you find that you have made any mistake in referring to these figures you may make such corrections as you desire in the form of a letter which the chairman will put in the record. We readily understand that in the matter of figures it is very probable that any witness may make a mistake, and we will be glad to accord that privilege to you. Now, Mr. Jacoway, you may proceed.

Mr. JACOWAY. Mr. Thomas, does the American Sugar Refining Co. have one general system of bookkeeping as to all of its properties and all of its business?

Mr. THOMAS. Well, they are having one now; we are having a general system of bookkeeping adopted at the present time.

Mr. JACOWAY. How long has that been in vogue?

Mr. THOMAS. This one general system?

Mr. JACOWAY. Yes.

Mr. THOMAS. Of course, in a way, there has been more or less similarity, but each independent refinery has differed in many details in regard to the manner of keeping their books; but that is gradually being consolidated any systematized into one method and one plan.

Mr. JACOWAY. Under your old system of bookkeeping these subsidiary companies made reports or gave balance sheets to the head office?

Mr. THOMAS. Yes; they sent then in to the head office here.

Mr. JACOWAY. I believe the last increase of stock of the American Sugar Refining Co. was from $50,000,000 to $90,000,000, was it not?

Mr. THOMAS. It was from $50,000,000 to $75,000,000, and then from $75,000,000 to $90,000,000.

Mr. JACOWAY. Now, when you increased your stock from $75,000,000 to $90,000,000, what was the direct, propelling cause of that? What did you want to do with the increased stock?

Mr. THOMAS. I think at that time it was the acquisition of the Philadelphia refineries; that is my impression. I would like to correct that; it was the beet.

Mr. JACOWAY. You are correct about that. Now, how many beet-refining companies did your company take stock in?

Mr. THOMAS. I can not tell you from memory.

Mr. JACOWAY. You can supply that, or is it in the record?

Mr. MADISON. Thirty-three, was it not?

Mr. THOMAS. I believe that is correct.

Mr. JACOWAY. When your company would absorb a subsidiary company—and by that I mean buy it out and dismantle it after it came under your jurisdiction completely—what person or persons representing the American Sugar Refining Co. consummated that deal? You were on a committee of three, I believe, to look after that particular branch of the American Sugar Refining Co. Now, did you do that, or did your associates do it?

Mr. THOMAS. Will you please repeat your question?

Mr. JACOWAY. Well, when you wanted to absorb an independent company, a company that had been a competitor previous to that time, what would be the modus operandi or policy of the American Sugar Refining Co. to get that company? Through whom would the negotiations be made?

Mr. CRAWFORD. Would it be asking too much that the gentleman conducting the examination specify the case, because, as a matter of fact, there were no such instances that I know of within the period of Mr. Thomas's connection with the company; no cases where concerns were taken over completely in the way in which the question anticipates it.

The CHAIRMAN. Without being discourteous to you, the rules do not permit of such an interruption. If the witness can not answer, he will have to answer "no."

Mr. JACOWAY. Well, do you know? Do you know what were the means or methods?

Mr. THOMAS. Mr. Havemeyer, I think, was usually the initiator in those matters.

Mr. JACOWAY. Was Mr. Havemeyer the sole head, and did he have absolute control of the American Sugar Refining Co.?

Mr. THOMAS. Mr. Havemeyer, owing to his experience and ability, was recognized as the leading moving spirit in the American Sugar Refining Co.

Mr. JACOWAY. Did he attend to the vast volume of business of a corporation representing $90,000,000 without ever making a report to the directors of the American Sugar Refining Co.?

Mr. THOMAS. Oh, yes; he had to report from time to time. I think the minutes will show all the reports he made.

Mr. JACOWAY. Well, getting back to my question, did you understand it? Do you know how it was done? I do not want to quibble

or wrangle with you, but when you would acquire a subsidiary company, after you increased your capitalization from $75,000,000 to $90,000,000 for the purpose of acquiring these subsidiary companies, I want to know who it was that represented the American Sugar Refining Co. in those proceedings, and who represented the management of the subsidiary companies, and I want you to tell the committee through whom you dealt and in what way that deal was made and successfully consummated?

Mr. THOMAS. Mr. Havemeyer usually attended to those things personally. He sent to these various people to see them or they came of their own accord, and he used to report the negotiations and ask for the approval of the board of directors of what he had done.

Mr. JACOWAY. Well, did his slightest request go without argument or without hesitation, and did you always do what he requested you to do?

Mr. THOMAS. Well, we had great respect for his opinion and his ability.

Mr. JACOWAY. I understand that. I know you do not want to evade the question; you can answer that question yes or no. Was that true, that his slightest wish was adhered to by the other directors of the American Sugar Refining Co.?

Mr. THOMAS. I think his wishes were almost generally acceded to.

Mr. JACOWAY. Now, before the increase from $75,000,000 to $90,000,000 there evidently was a meeting of the board of directors of the American Sugar Refining Co., was there not?

Mr. THOMAS. I should say undoubtedly, but I should like to know it.

Mr. JACOWAY. What I am getting at is whether you were present at that meeting?

Mr. THOMAS. I can not state; I can not recollect whether I was present or not. I was not in New York very much of the time; my activities were limited to Boston.

Mr. JACOWAY. Was it ever discussed with you by any other member of the board of directors?

Mr. THOMAS. I do not remember at the moment.

Mr. JACOWAY. Then your answer to the committee is that upon an increase of stock from $75,000,000 to $90,000,000 you can not give any definite answer as to who consulted with you or as to whether you consulted with anybody? In other words, it is a blank to you?

Mr. THOMAS. I do not remember any definite occasion when that was discussed.

Mr. JACOWAY. Now, Mr. Thomas, it was brought out yesterday by Mr. Raker that you were a man of strong mentality and all that kind of thing. As near as you can, and as succinctly as you can, state to the committee why it was that the American Sugar Refining Co. wanted to get absolute control of these independent or subsidiary companies.

Mr. THOMAS. Which do you mean? Do you have reference to the beet?

Mr. JACOWAY. Any or all of them, the beet or the others.

Mr. THOMAS. Well, we wished to consolidate the management of a good many of these companies in order to reduce expenses and make money.

Mr. JACOWAY. I will ask you to answer this yes or no, whether as a matter of fact the propelling motive or the underlying cause that prompted the American Sugar Refining Co. to enter upon this policy was not for the purpose of absolutely controlling the price of refined sugar in the United States?

Mr. THOMAS. I do not think so. It was to extend its business, but not to control the price of refined sugar.

Mr. JACOWAY. You are engaged in no other business except that of refining sugar, are you?

Mr. THOMAS. No.

Mr. JACOWAY. You made a statement yesterday, the language of which I think I took down correctly, which I will ask you to explain to the committee this morning. Speaking of the American Sugar Refining Co., you used this language, "We are the only people that can buy the entire output of the Louisiana producers."

Mr. THOMAS. Well, I rather meant that we were the largest buyers; I think I rather put it that way, although I do not doubt the correctness of your statement.

Mr. JACOWAY. Do you affirm that this morning, that "we are the only people"—referring to the American Sugar Refining Co.—"that can buy the entire output of the Louisiana producers?"

Mr. THOMAS. I would say that we are probably the only refiners that could buy the largest part of that crop and buy the quantity that we do buy. I would like to put it that way.

Mr. JACOWAY. I will ask you whether, as a matter of fact, that language did not mean this and whether this was not what you intended to convey, that the American Sugar Refining Co., on account of its vast wealth and the immense volume of money which it handles, is the only party that can go into that field and buy that sugar as it comes and as it is produced?

Mr. THOMAS. By the larger part of it I mean, as I stated, that the market is an open market.

Mr. JACOWAY. Well, is it an open market? What do you mean by an open market?

Mr. THOMAS. I mean that anybody can go in there and buy sugar.

Mr. JACOWAY. If an independent man should go down there and buy sugar—and I will ask you to answer this yes or no—would not the American Sugar Refining Co. boycott him?

Mr. THOMAS. No, sir; not to the best of my knowledge and belief.

Mr. JACOWAY. Has it not been the policy of the American Sugar Refining Co. to boycott those in that territory that had transactions with others?

Mr. THOMAS. To my knowledge it was not.

Mr. JACOWAY. To make the question absolutely definite, I will ask you whether it was not the policy of the American Sugar Refining Co., when an independent company went into that field and sought to buy sugar from a gentleman by the name of Burguieres—I believe that is the name—and did buy it, to boycott that man and subsequently refuse to buy his sugar?

Mr. THOMAS. I do not——

Mr. JACOWAY (interposing). I mean the seller.

Mr. THOMAS. I do not know of such being the fact at all.

Mr. JACOWAY. Well, then, your answer is a negative one? You do not either affirm or deny it?

Mr. THOMAS. I do not know that such is the fact. I would like to reiterate that my sphere of activity was confined to New England, as the salesman of refined sugar, and my connection with the general policy on that account was less than it otherwise would have been.

Mr. JACOWAY. The committee only wants to get the facts, and I am sure you do not want to evade anything, and in order that we may get it, I would like to have you say to the committee again what your duties are as an officer of the American Sugar Refining Co. Just state those duties as briefly and clearly as you can.

Mr. THOMAS. At the present time?

Mr. JACOWAY. How far does your power go?

Mr. THOMAS. At the present time?

Mr. JACOWAY. Yes.

Mr. THOMAS. Well, I am chairman of the board of directors, and rather in a consulting capacity and in an advisory capacity.

Mr. JACOWAY. You say in a consulting capacity?

Mr. THOMAS. In an advisory capacity.

Mr. JACOWAY. In regard to what policies?

Mr. THOMAS. Well, the general policy of the company.

Mr. JACOWAY. Instead of saying general, make it specific and definite.

Mr. THOMAS. Well, I can hardly make it much more definite. In regard to the buying of raw sugars and, in a general way, the selling of refined sugar, the administration of the office, and the general policy of the company.

Mr. JACOWAY. Then, since you have been a director of the American Sugar Refining Co. no matter of any importance, relative to your company, has been disposed of and no policy agreed upon but what you were cognizant of it?

Mr. THOMAS. Not since I was a director, but since I have been chairman of the board.

Mr. JACOWAY. When were you first made chairman of the board?

Mr. THOMAS. I was made chairman of the board during January of this year, but I was made president immediately after the death of Mr. Havemeyer.

Mr. JACOWAY. The committee has carried you almost over the locus of a continent and the cycle of a quarter of a century, and there is not much more that I want to ask. But I want to put this question to you, and have you answer it, if you know: Who was it that conceived the increase of this stock of the American Sugar Refining Co. for the purpose of getting an interest in the beet-sugar refining companies and in the absorption of the independent refineries? What master mind conceived that?

Mr. THOMAS. I can not tell whose mind originally conceived that.

Mr. JACOWAY. I will ask you whether, as a matter of fact, it was not Mr. Havemeyer?

Mr. THOMAS. I could not say of my own knowledge that that was the case.

Mr. JACOWAY. From hearsay or from double hearsay, what is your idea of it?

Mr. THOMAS. He was a man of great initiative.

Mr. JACOWAY. I know that; we concede that he was a man of Napoleonic mind; but as near as you know, either from hearsay, double hearsay, or any other way, who was the master mind that conceived it?

Mr. THOMAS. As near as I know, Mr. Havemeyer conceived the general policy of the company in that respect.

Mr. JACOWAY. Were you in the confidence of Mr. H. O. Havemeyer?

Mr. THOMAS. Not especially so; he was a very reticent man.

Mr. JACOWAY. I understand that; but, getting down to details, did he ever go into details with you as to what would be the policy of the American Sugar Refining Co.?

Mr. THOMAS. Not a great deal; very little.

Mr. JACOWAY. It seems hazy to the committee, I dare say, but did not the directors of the American Sugar Refining Co. meet, like directors of other companies, and discuss policies and plans?

Mr. THOMAS. Well, probably not to the extent of the directors of many companies, because, as I say, Mr. Havemeyer formulated the plans in his own mind; he got them in a concentrated form to present to the directors, and the directors, with their confidence in his ability, almost invariably followed his advice and suggestion.

Mr. JACOWAY. Yesterday you stated, as a perfunctory preamble to your testimony, that you did not want anything to fall from your lips that would be a reflection on H. O. Havemeyer.

Mr. THOMAS. I do not.

Mr. JACOWAY. Was that prompted by a veneration for the dead, or was it due to the fact that you believed in the innate honesty of H. O. Havemeyer?

Mr. THOMAS. Will you please repeat that question?

Mr. JACOWAY. Was that prompted by a feeling of respect that you had for the dead and wanted to say nothing that would reflect on the dead, or because you had an abiding faith in the honesty of Mr. H. O. Havemeyer?

Mr. THOMAS. I wished to be loyal to his memory. I was associated with him and I wished to be loyal to his memory.

Mr. JACOWAY. You did not answer the question put to you, and I will ask another one: Do you to-day approve of all the methods of H. O. Havemeyer when he was the dominating factor or influence in the American Sugar Refining Co.?

Mr. THOMAS. I imagine in some respects there would be a difference of opinion.

Mr. JACOWAY. I am talking about the question of morals, the question of honesty to the consumer of sugar, so far as he is concerned?

Mr. THOMAS. As far as the consumer of sugar is concerned, I think Mr. Havemeyer's morals were all right, because I do not think he unreasonably advanced the price of sugar or that the price of sugar was unreasonably advanced to the consumer.

Mr. JACOWAY. You stated yesterday, I believe, that you went into the directorate in 1893?

Mr. THOMAS. In 1893; that is correct; yes.

Mr. JACOWAY. You were a member of the directorate, then, in 1901 and 1902?

Mr. THOMAS. 1901 and 1902; yes.

Mr. JACOWAY. I will ask you whether you have read the allegations contained in a petition filed by Mr. Wise, of New York City, styled, "The United States of America, petitioner *v.* The American Sugar Refining Co. and others, defendants"?

Mr. THOMAS. I read them; yes; but I do not remember them now.

Mr. JACOWAY. Well, I would not suppose you would in detail, but the prominent and salient features of that petition are prominent in your mind and you understand them, do you not?

Mr. THOMAS. If you will just mention them, if you please?

Mr. JACOWAY. Well, I will mention one allegation on page 100. It is a little lengthy, but I want you to say to the committee what you know about it. Here is the allegation:

In 1901 and 1902 the American Beet Sugar Co. was the strongest of the beet-sugar companies, with a business extending throughout many of the Western States, and was an important competitor of the American Sugar Refining Co. in the trade and commerce in sugar among the several States. To suppress and destroy this competition, the American Sugar Refining Co. entered into an agreement with the American Beet Sugar Co., which was immediately put into execution and thereafter carried out until the year 1906, the substance of which was set out in a letter dated December 16, 1902, written by the latter to the former, of which, with the omission of the signature, the following is a true copy:

THE AMERICAN SUGAR REFINING CO.

DEAR SIRS: Following the conference which we have had with you, we put in writing our proposal, as follows: You are to be our supervising agent for the disposal of our product, as hereinafter stated, and for your compensation are to receive one-quarter of a cent per pound on all sugar sold and collected for by us, accounts to be submitted by us to you at your office on the 20th of each month for the preceding month and payment to be made at that time. The arrangement is to commence with the season of 1903–4, and is to continue for a period of 10 years; that is, down to and including the season of 1912–13. Your agency involves your general cooperation with us in all legitimate ways to market our product to the best advantage in such localities as we shall designate, exclusive of the New England States, care being taken by us, except when necessary, to avoid your markets. You are to open your channels of distribution to us and allow to us the use of your brokerage system and the employment of your agencies, and are to permit your brokers to dispose of our sugars on the same terms as in your own case, and are to instruct them to push the sale of our product; and if, in any case, there shall be conflict, you are to permit us to have the preference, except in so far as is necessary to meet demands for cane as against beet sugar, and with the same exception you are to give us the preference, up to the point of withholding the sale of your product of the same grades in such markets as we may require, so far as is necessary for the disposal of our product, provided that no delay or loss of time shall be caused by us. You are not to make, yourself, nor allow to be made by the producers controlled by you in any markets used by us while our product is being disposed of in such markets, a lower price on refined sugar than your own open price at your points of production, plus freight, if any, to such markets, and you are to use your good offices, when asked, to endeavor to obtain favorable rates on freight from points of our production to the consuming markets required. The arrangement does not apply to the New England States nor does not involve any curtailing of your product, and does not put any limitation upon ours. Its essence is that we shall have your hearty cooperation along the lines above stated.

Now, at that time you were a member of the directorate, and I wish you would please state whether up to the present time that was ever discussed by you and your associates.

Mr. THOMAS. I remember no discussion in regard to that matter. My interests and activities were in the New England States, and you can see that the New England States are excepted in this arrangement. I do not remember ever having been consulted about it; but I do know, in a general way, that subsequently—a little later—there was some question as to its legality, and as soon as that arose the plan was given up immediately.

Mr. JACOWAY. Now, you say there was some discussion as to its legality. By that you mean that it was a violation of the Sherman antitrust law?

Mr. THOMAS. There was a difference of opinion about it; some counsel thought it was not and some thought it was, and if there was any chance of this being in violation of that law we were only too glad to give it up.

Mr. JACOWAY. Name the counsel that consulted with the American Sugar Refining Co. and told them that it was in violation of the Sherman antitrust law for that agreement to be carried out to the end of its term of 10 years.

Mr. FULLER. I think that encroaches on the rule of privilege between attorney and client.

The CHAIRMAN. No.

Mr. FULLER. If you will hear me for just a moment on that——

The CHAIRMAN. I do not think we care to hear from you on that. The witness volunteered the information that some counsel had given that opinion.

Mr. MADSON. Mr. Fuller, it is a matter that is very old and barred by the statute of limitations; therefore it could not be privileged.

Mr. FULLER. I hate to discuss that with you, Mr. Madison, but there is no telling exactly what the statute of limitations does or does not bar nowadays.

The CHARMAN. Independent of that, we want to proceed with this hearing. The witness volunteered this information, and the question now is as to the name of the lawyers.

Mr. JACOWAY. I am not going to ask as to communications between his counsel and himself; I am not going into that field.

The CHAIRMAN. Proceed with your questions. The objection is overruled. If he does not know he can not state.

Mr. JACOWAY. State what counsel of the American Sugar Refining Co. told the American Sugar Refining Co. that that agreement, to which I have just referred, was not in violation of the Sherman antitrust law.

Mr. THOMAS. To the best of my knowledge and belief it was Mr. Parsons, our general counsel.

Mr. JACOWAY. How far did that investigation go? I will ask you whether you did not take the matter to Mr. MacVeagh at Washington?

Mr. THOMAS. I do not know anything about that except by hearsay; I have no personal knowledge.

Mr. JACOWAY. I will ask you whether or not representatives of the American Sugar Refining Co. did not take this up with Secretary MacVeagh and whether Mr. MacVeagh did not use this language, as near as I can repeat it:

That is an absolute and complete violation of the Sherman antitrust law, and if you people do not desist from operating under it all of you will be put in the penitentiary?

Mr. THOMAS. I do not know that at all; not of my own knowledge and belief.

Mr. JACOWAY. Do you know it from hearsay?

Mr. THOMAS. I will have to think a moment about that.

Mr. JACOWAY. Take your time and think about it.

Mr. THOMAS. I have heard that Mr. MacVeagh stated that it was against the law, but I remember no words such as you have used.

Mr. JACOWAY. Well, mine is in quotation; I have heard it and I am putting it to you to answer the question.

Mr. THOMAS. I have only heard that within a short time.

Mr. JACOWAY. When did you hear it?

Mr. THOMAS. I do not remember.

Mr. JACOWAY. Now, there were other attorneys that advised you this was not a violation of the Sherman antitrust law. Who were they?

Mr. THOMAS. Well, as I have told you, I am under the impression Mr. Parsons considered that contract perfectly legal and proper.

Mr. JACOWAY. State to the committee, if you can, and if you can not, supply the testimony later, which you can do from your records, how many independent refineries have been dismantled since you have acquired them.

Mr. THOMAS. Well, I would like to modify that word "dismantled."

Mr. JACOWAY. I mean that are not in use.

Mr. THOMAS. Because machinery has been taken out of some refineries and been added to the capacity of others.

Mr. JACOWAY. Well, that would not be a dismantling.

Mr. THOMAS. Well, if you will eliminate that and allow me to get that information later.

Mr. JACOWAY. I would like to know since 1887 how many independent refineries have gone out of business as a result of the absorption of them by the American Sugar Refining Co. State the name of the company that has gone out of business, and its place of business. You can supply that information, can you not?

Mr. THOMAS. Oh, yes; I think so.

Mr. JACOWAY. Do you know where most of the stockholders of the American Sugar Refining Co. are now—in what part of the country?

Mr. THOMAS. They reside in New England, and we issued a rather specific statement of the holdings of the stockholders.

Mr. JACOWAY. There are about 19,000 stockholders, are there not?

Mr. THOMAS. Yes; I think there are about 20,000 now.

Mr. JACOWAY. About 10,000 of those stockholders are women who hold stock in the American Sugar Refining Co.?

Mr. THOMAS. I understand so.

Mr. JACOWAY. I will ask you if it was not the policy of the American Sugar Refining Co.—and this does not involve any moral turpitude—when the stock of the American Sugar Refining Co. got to its highest point, if you and Mr. Havemeyer did not unload your holdings on these 10,000 stockholders in New England, most of whom were women?

Mr. THOMAS. Not at all, so far as I know.

Mr. JACOWAY. You are acquainted with the Louisiana Planters' Association, are you not?

Mr. THOMAS. Very little. I know very little about it.

Mr. JACOWAY. Has the American Sugar Refining Co. any stockholders in Louisiana?

Mr. THOMAS. I believe we have a few. Your record would show that.

Mr. JACOWAY. Our record shows there are 46 stockholders in the South, or in Louisiana. Can you supply the record with information showing the names of the parties in Louisiana who hold this stock and the amount they hold?

Mr. THOMAS. I think I can.

Mr. JACOWAY. And you will supply us with that information?

Mr. THOMAS. Yes.

Mr. JACOWAY. I will ask you, so far as you know, to state whether anybody connected with the Louisiana Sugar Planters' Association holds any stock in the American Sugar Refining Co.

Mr. THOMAS. I have no idea.

Mr. JACOWAY. Now, it was the policy of the American Sugar Refining Co. to absorb and get control, as near as they could, of all of the independent companies in the early history of the American Sugar Refining Co., was it not? You stated that awhile ago, for the purpose of concentration and because they could reduce the cost of production.

Mr. THOMAS. Well, I am not very familiar with the early history of that.

Mr. JACOWAY. That is a question which leads to another question. You have no serious competition in the Louisiana market for raw sugars produced from cane, have you?

Mr. THOMAS. We have quite a little; yes.

Mr. JACOWAY. Well, state who they are.

Mr. THOMAS. I will have to give you the names of the refineries. There is Henderson down there——

Mr. JACOWAY (interposing). Comparatively speaking, he is a small man?

Mr. THOMAS (continuing). And then, on these plantations, a great many of them make sugar that can go into direct consumption, and that sugar competes with us.

Mr. JACOWAY. Do they make the best kind of refined sugar on these plantations in Louisiana?

Mr. THOMAS. Well, I should say it was not as good as the granulated sugar, but it is sugar that can be utilized for preserving purposes, and for many purposes for which sugar is used.

Mr. JACOWAY. It is a quasiraw sugar, is it not?

Mr. THOMAS. Well, I should hardly say that, because they are constantly improving their methods, so that they are making a fair quality of refined sugar.

Mr. JACOWAY. And you are fighting the very grade of sugar those independent planters put out? Your advertisement produced here yesterday, in the Journal, shows that?

Mr. THOMAS. I do not know whether it does or not. I think that is a pretty poor advertisement, myself.

Mr. JACOWAY. In that advertisement produced here yesterday, are you not complimenting the virtues of refined sugar and deprecating the bad qualities of raw sugar, such as the Louisiana planters put out?

Mr. THOMAS. I knew nothing about that advertisement.

Mr. JACOWAY. Are you not in constant warfare with the very grade of sugar that the Louisiana planters put out?

Mr. THOMAS. Well, we are in competition with all grades of refined sugar.

Mr. JACOWAY. Please answer my question yes or no. Are you not in constant warfare particularly with that grade of sugar?

Mr. THOMAS. Well, we are in warfare with that grade and all other grades of refined sugar.

Mr. JACOWAY. To put the question so it will be pleasing to you, are you not waging a commercial warfare every day in the year against that kind of sugar?

Mr. THOMAS. No; I do not think we are.

Mr. JACOWAY. How do you construe the advertisement read here yesterday?

Mr. THOMAS. Well, I never saw that advertisement before. I think it is a ridiculous advertisement. I do not know who inspired it, and I do not know when it was put in.

Mr. JACOWAY. Do you not think it is worse than ridiculous? Could you not use a stronger term in reference to that advertisement?

Mr. THOMAS. Well, I think it is an advertisement that could do no one any injury, because I think it reads rather foolishly.

Mr. JACOWAY. When the motives prompting it were made known, do you not think it would be like a rubber band and fly back on the American Sugar Refining Co.?

Mr. THOMAS. I do not know what the motives were back of the publication of that advertisement.

Mr. JACOWAY. Who put that advertisement in?

Mr. THOMAS. I do not know.

Mr. JACOWAY. Can you find out?

Mr. THOMAS. I suppose I can.

Mr. JACOWAY. Well, do you not know that you can?

Mr. THOMAS. I think very likely I can.

Mr. JACOWAY. Will you make a diligent effort to do so, and supply the record with it?

Mr. THOMAS. I will do my best.

Mr. JACOWAY. And if you fail in your efforts you will report that fact to the chairman of the committee?

Mr. THOMAS. I will.

Mr. JACOWAY. Mr. Thomas, I would like to ask you if you know who it was that wrote the minutes of the American Sugar Refining Co.?

Mr. THOMAS. The secretary.

Mr. JACOWAY. Who was the secretary?

Mr. THOMAS. Mr. Charles R. Heike.

Mr. JACOWAY. Did H. O. Havemeyer or anybody else connected with the American Sugar Refining Co. ever exercise a censorship over those minutes?

Mr. THOMAS. Not as far as I know.

Mr. JACOWAY. As a matter of fact, do you not know that Mr. Havemeyer did that?

Mr. THOMAS. No; I do not.

Mr. JACOWAY. Well, if you do not, just say so. I am not here to say that you are not testifying correctly. Now, your answer to that question is that you do not know?

Mr. THOMAS. I do not know, to the best of my knowledge and belief.

Mr. JACOWAY. You have read those minutes, have you not, Mr. Thomas?

Mr. THOMAS. I do not know that I have read all of them.

Mr. JACOWAY. You have read some of them?

Mr. THOMAS. Yes; I have read some of them.

Mr. JACOWAY. Do you not know that the studied object of those minutes, as a matter of fact, was to tell just as little as possible about the inside workings of the American Sugar Refining Co.?

Mr. THOMAS. Well, I should hardly say that. I think they are intended to tell all that is necessary.

Mr. JACOWAY. Now you say, "all that is necessary," and that is from the standpoint of the American Sugar Refining Co. and not from the standpoint of the people who consume sugar, is it?

Mr. THOMAS. No; I do not know. I can hardly say that they are from the standpoint of the people who consume sugar.

Mr. JACOWAY. Now, how often is a balance sheet given to the corporation known as the American Sugar Refining Co.?

Mr. THOMAS. It is given every year.

Mr. JACOWAY. What is the trend of that report? What does it state? What does the report report to the corporation?

Mr. THOMAS. Well, it reports the operations of the different refineries, or rather, the balance sheet is a consolidated sheet, of which I can get you a copy. I think that would cover it better.

Mr. JACOWAY. I will ask you to get a copy of one of those reports and make it a part of our records, if you will.

Mr. THOMAS. Yes.

Mr. CRAWFORD. Do you want the report to the stockholders?

Mr. JACOWAY. I mean a report of the general business of the American Sugar Refining Co.

Mr. CRAWFORD. A report to whom?

Mr. JACOWAY. To the corporation.

Mr. CRAWFORD. Do you mean the report which the company makes to its stockholders, or the report which the accountants make to the company?

Mr. JACOWAY. I am trying to get at the value of the property. Do these reports show the value of the physical properties of the American Sugar Refining Co.?

Mr. THOMAS. Yes; they do.

Mr. JACOWAY. And you have read them?

Mr. THOMAS. I have read them.

Mr. JACOWAY. State to the committee what the report shows the physical properties of the American Sugar Refining Co. to be worth at a fair valuation.

Mr. THOMAS. I can not give you that from memory.

Mr. JACOWAY. Can you supply it?

Mr. THOMAS. I can supply it.

The CHAIRMAN. If you had that report, you could give us that information, could you not?

Mr. THOMAS. Oh, yes; I think so.

The CHAIRMAN. Suppose you hand him this memorandum and maybe he can answer the question now [handing paper to witness].

Mr. THOMAS. I would prefer to get the information for you, because I am not an accountant.

Mr. JACOWAY. Just look over that memorandum and see if you can tell us.

Mr. THOMAS. I should prefer you to get this information from somebody else. It is not in the statement, but I can get that later for you.

Mr. JACOWAY. Does the American Sugar Refining Co. own property that is the equivalent of $90,000,000, the amount for which they are capitalized?

Mr. THOMAS. Well, I could not say that.

Mr. JACOWAY. Mr. Thomas, as a matter of fact, do you not know that it does not?

Mr. THOMAS. I would not say that.

Mr. JACOWAY. As a matter of fact, do you not know that the American Sugar Refining Co.'s stock, in the vernacular of the Street, is intensely watered?

Mr. THOMAS. Well, I should hardly say that. No; I do not know that.

Mr. JACOWAY. I will ask you to state to the committee your definition of watered stock.

Mr. THOMAS. Well, it is where there is a great deal of stock back of which there is little or no value, and I think all of our stock has value.

Mr. JACOWAY. The stock of all corporations is based upon their physical assets which you can see and which you can feel?

Mr. THOMAS. Not altogether.

Mr. JACOWAY. Name something else that might be an asset except property which you can see or feel.

Mr. THOMAS. Well, good will and cash in the treasury.

Mr. JACOWAY. Well, you can see and feel that, I know, because I have done that. What else?

Mr. THOMAS. And stock in other companies.

Mr. JACOWAY. That is physical property. As a matter of fact, don't you know that the American Sugar Refining Co. is attempting to pay a dividend on $90,000,000 of stock which was issued when perhaps $40,000,000 would be a fair valuation of the physical assets of the American Sugar Refining Co.?

Mr. THOMAS. Well, I can not testify to that.

Mr. JACOWAY. As I conceive it, that is important for this committee, and I will ask you to furnish to the committee a detailed statement of all the physical properties of the American Sugar Refining Co. You can do that?

Mr. THOMAS. Oh, yes; certainly. Of course, I would like to add that there is cash in the treasury besides, and you understand that?

Mr. JACOWAY. That comes within the purview of my question.

Mr. THOMAS. And a great deal of money has gone into these plants in the way of improvements and increasing their efficiency.

Mr. JACOWAY. I am not asking you to adopt this question which I will now put to you as your own, but from the record here we assume that the object of the American Sugar Refining Co. was to get control of the subsidiary companies, including all the independent refineries, as well as the refineries of the beet people, in order that they might have within their grasp control of the sugar situation in the United States. Now, I may be wrong about that, but assuming I am correct, state to this committee what would be the policy of the American Sugar Refining Co. if the people of Louisiana should construct a refinery, complete in detail, with a capacity equal to any other refinery controlled by the American Sugar Refining Co. What would be your policy as to that refinery?

Mr. THOMAS. Live and let live.

Mr. JACOWAY. Now, Mr. Thomas, do you mean to say to the committee, and if you do say so, would you let the people of Louisiana go ahead and construct a refinery of that kind?

Mr. THOMAS. We could not interfere.

Mr. JACOWAY. And come in direct competition with you?

Mr. THOMAS. We could not interfere.

Mr. JACOWAY. Construct such a refinery right where they raise the cane, and where they produce the sugar? In view of all this past record of the American Sugar Refining Co., would you permit a refinery of that character to be constructed in Louisiana, and not lift your voice and not try to do anything to avoid it?

Mr. THOMAS. We would not do anything to stifle competition in such manner as you suggest.

Mr. JACOWAY. Now, you say you would not do that. How do you make that statement coincide with this agreement which I have just read to you? You say you would not do a thing to stifle competition?

Mr. THOMAS. Well, you asked me about this case in Louisiana, and I told you we should certainly not do that.

Mr. JACOWAY. You have done so in the past, have you not?

Mr. THOMAS. That was an agreement with which I had nothing to do, and which had no connection with New England, which was my section of the country.

Mr. JACOWAY. Does not that agreement show that you divide up the territory? Does not that agreement show that competition is stifled?

Mr. THOMAS. Well, I do not know that it does, altogether.

Mr. JACOWAY. You are not a lawyer, and, as a matter of fact, did not your lawyers tell you it did, and that it was a direct violation of the Sherman antitrust law?

Mr. FULLER. Is not that privileged?

Mr. JACOWAY. I will withdraw that question if he does not want to answer it. He can claim his privilege.

Mr. FULLER. He is giving you hearsay on that subject.

Mr. THOMAS. Our attorneys said not.

Mr. JACOWAY. You made use of another expression yesterday, which I would like you to explain to the committee. You used this language: "We sought only to fix the price of our sugar." What do you mean by that?

Mr. THOMAS. I mean we fixed the price of the sugar which is sold by the American Sugar Refining Co.

Mr. JACOWAY. You fixed the price?

Mr. THOMAS. We fixed the price of our own product.

Mr. JACOWAY. Now, who fixed it?

Mr. THOMAS. The manager of the American Sugar Refining Co. and the president, who at that time probably was Mr. Havemeyer.

Mr. JACOWAY. Then the manager and the president of the American Sugar Refining Co. fixed the price of your own product, which was 46 per cent of the entire output. Is that correct?

Mr. THOMAS. They fixed the price of their own output; yes; undoubtedly.

Mr. JACOWAY. That was an arbitrary price, was it not, Mr. Thomas?

Mr. THOMAS. Well, it varied with the fluctuations of the raw-sugar market.

Mr. JACOWAY. Just answer that question, yes or no. Was that a price based on supply and demand?

Mr. THOMAS. It was based on the price abroad.

Mr. JACOWAY. That is all, Mr. Chairman.

Mr. MALBY. Mr. Thomas, how long did you say you had been a director of the American Sugar Refining Co.?

Mr. THOMAS. Since 1893.

Mr. MALBY. And you were a member of a board appointed to purchase other refineries at a later date, were you not?

Mr. THOMAS. I was; yes.

Mr. MALBY. What date was that?

Mr. THOMAS. You refer to the committee to acquire the beet-sugar refineries?

Mr. MALBY. Yes.

Mr. THOMAS. I think that was 1903. It is a matter of record, I believe. I would like to correct that, if that date is not correct.

Mr. MALBY. When was this meeting held between Mr. Arbuckle and Mr. Havemeyer?

Mr. THOMAS. I do not remember the date.

Mr. MALBY. Could you give us about the date when that happened? Is there any way you could refresh your recollection as to the date?

Mr. THOMAS. I do not see how I could fix that.

Mr. MALBY. Well, when did this contest for prices and for business take place between the American and Mr. Arbuckle?

Mr. THOMAS. I do not remember the date or the period which that covered.

Mr. MALBY. Well, it was subsequent to the date it commenced and it was just prior to the date that it ceased.

Mr. THOMAS. Well, it extended a few years, I think. I do not know how many.

Mr. MALBY. Well, the conference to which you refer preceded the date of the cessation of business hostilities?

Mr. THOMAS. I suppose so; I do not remember exactly.

Mr. MALBY. Since that time has there been any material difference between the prices at which the American Sugar Refining Co. and the Arbuckle Co. sell sugars in the same market?

Mr. THOMAS. I will have to get that for you as a matter of record.

Mr. MALBY. I would like to have that information. Has there been any difference in the agents since that time? Do they employ the same agents now?

Mr. THOMAS. As far as I know, we have no agents who are the agents of Arbuckles—so far as I know.

Mr. MALBY. I mean sugar brokers or factors.

Mr. THOMAS. Yes.

Mr. MALBY. Are they not the same?

Mr. THOMAS. No; I think not.

Mr. MALBY. At the present time?

Mr. THOMAS. In one city they may possibly be the same brokers, but in a general way they are not the same.

Mr. MALBY. Well, I understood you yesterday to say there were some 60 brokers——

Mr. THOMAS (interrupting). I had reference then to the brokers in the West. So far as the brokers in New York City are concerned

who buy sugars for the grocers here in New York, they employ the same brokers—all the refiners do.

Mr. MALBY. Is it the same in the other large eastern cities?

Mr. THOMAS. Well, the sugars are sold a little differently in different cities.

Mr. MALBY. Do you use the same agencies in other cities?

Mr. THOMAS. Not altogether. In Boston, for instance, we have no brokers at all. The buyer of sugars come into the office, or telephones, and we do not do the business through a broker.

Mr. MALBY. The business is conducted direct from the refinery?

Mr. THOMAS. Yes.

Mr. MALBY. Where brokers are employed by your company, are they also employed by the other sugar-refining companies?

Mr. THOMAS. Yes.

Mr. MALBY. Including Arbuckles?

Mr. THOMAS. All of them.

Mr. MALBY. Now, during this war, as we will term it, between you and the Arbuckles Co., did you employ the same sugar brokers at that time?

Mr. THOMAS. I do not know, because I was confined in my activities to New England.

Mr. MALBY. Were your duties confined so much to New England that you were not aware of the manner in which the business was being conducted generally?

Mr. THOMAS. Only in a general way.

Mr. MALBY. Of course this contest between yourselves and Arbuckles went to a point which you have described as being ruinous. There being such a contest on hand, are you not able to give the committee some information as to whether you did or did not have any possible business relations with them, directly or by way of having the same brokers?

Mr. THOMAS. I can not tell. I do not know the brokers whom Mr. Arbuckle employed or whom our people employed.

Mr. MALBY. Who hired your brokers? How were they employed?

Mr. THOMAS. Well, the brokers secure the orders from their customers and come to us to have their orders filled, and we pay the brokerage.

Mr. MALBY. Well, would you not know whether you had the same brokers that Mr. Arbuckle had?

Mr. THOMAS. Well, those brokers buy sugar from anyone and everyone.

Mr. MALBY. They do now, but I am speaking of the time you had the war with Arbuckles.

Mr. THOMAS. I do not know whether they did or not. I can not answer that question.

Mr. MALBY. Well, was there not a time when you entered into a written contract with an agent who was called a factor, by which the factor was bound to handle only your sugars?

Mr. THOMAS. I do not remember.

Mr. MALBY. That was in your time, was it not?

Mr. THOMAS. I know; but I do not remember.

Mr. MALBY. And did it not apply to the New England refineries, as well as to all others?

Mr. THOMAS. I think it did not apply to New England; I think not.

Mr. MALBY. Are you aware of the fact that there was such a thing as a contract entered into by which your brokers were not permitted to handle sugars refined by any other company?

Mr. THOMAS. I am not familiar with that contract.

Mr. MALBY. Is it not a matter of record in your own minutes?

Mr. THOMAS. There is a matter of record of a plan called the factor's plan, but I do not think that provision was in it which you have mentioned.

Mr. MALBY. I find in a copy of your minutes under date of New York, Tuesday, July 21, 1891, the following:

The president reported that since the last meeting, at the request of 95 per cent of the grocery trade in New York City, New England, and several other points, a new system of selling sugar had been inaugurated, providing for a rebate of one-eighth cent per pound to such parties as do not undersell the company's prices.

Do you remember such a resolution?

Mr. THOMAS. I would like to ask if I was present at that time?

Mr. MALBY. That was in 1891.

Mr. THOMAS. I was not a director at that time.

Mr. MALBY. Well, it refers to New York and to New England. What position did you occupy in 1891?

Mr. THOMAS. I was the manager of the New England office.

Mr. MALBY. This says in New York and in New England.

Mr. THOMAS. I believe it did exist for a short time, since it is recalled to my memory.

Mr. MALBY. How long did that resolution exist?

Mr. THOMAS. I can not tell you. Not very long, is my impression.

Mr. MALBY. Was not that supplemented several years afterwards with a written contract between yourselves and the factors to the following effect:

DEAR SIR: We inclose herewith invoice of even date, from which you are entitled to our usual deductions of 1 per cent trade discount on 100-barrel lots and 1 per cent for cash if paid within seven days.

Should you desire, we shall be pleased, upon receipt of within written request, to constitute you one of our agents, in which case sugar will be consigned to you for sale as our factor upon the following terms, the title to remain in us, subject to your advances, and return to you of your necessary outlay:

1. You are to advance to us within 30 days the amount of the invoice, which will be made up at our daily quotations, less 1 per cent trade discount on 100-barrel lots, with the right to deduct 1 per cent additional if invoice is made cash in seven days, the advance to be without recourse to or reclamation upon us, and to be due in any event.

2. The sugar, when sold, is to be billed in your name, although, in fact, as factor for us; and you shall, without reclamation upon us, at your own cost, pay all expenses and assume all risks of the property and of payment of collection. You are not to incur any expenses on our account.

3. None of the sugar shall be sold or disposed of by you, either directly or indirectly, for less than our daily quotations, with freight added from refining point to point of sale (as per equality rate book), nor on more liberal terms as to credit or cash discounts.

So long as the foregoing conditions are observed by you, we will, upon an affidavit to that effect, pay you a commission of three-sixteenths of a cent per pound, and in addition thereto you shall retain the profit, if any, over the advance made as above provided. In case of any failure to comply with either of the above conditions no commissions will be payable. Settlements will be made for each month's commissions at the expiration of three months there-

after. All commissions payable for the period preceding the three months will then become due. Payments will only be made as above.

This agency is terminable at the pleasure of either party on written notice.

Yours, respectfully,

THE AMERICAN SUGAR REFINING CO.

Do you recall that as being one of the contracts which the American Sugar Refining Co. required its factors to sign prior to shipping them any sugar whatsoever?

Mr. FULLER. Can you give us the date of that? There does not seem to be any date indicated here.

Mr. MALBY. That is simply a blank form.

Mr. THOMAS. I think it is very likely correct.

Mr. MALBY. It continued for what period of time? When was it adopted?

Mr. THOMAS. I could not tell you that.

Mr. MALBY. I think the minutes I have read you heretofore show it was in 1891.

Mr. THOMAS. Yes; that was before I was a director.

Mr. MALBY. Did it continue after you were a director?

Mr. THOMAS. I do not remember whether it continued or not after I became a director.

Mr. MALBY. Now, the affidavit which was to be attached to the return, in order to see to it that the contract was strictly observed and that sugar was not sold at a price less than the designated price, to wit, a list price which was submitted therewith or about that time—was not the affidavit substantially as follows:

STATE OF ———, *County of* ———:

———— ————, being duly sworn, says I, as a factor of the American Sugar Refining Co., claim from the company a commission of three-sixteenths of a cent a pound, less 1 per cent when trade discounts have been allowed, upon ———— pounds of sugar consigned by the company to me by invoices, the dates of which cover the period from ——— to ———, inclusive, in compliance with the conditions upon which the sugar was consigned to me, and to entitle myself to the commissions I do hereby make affidavit that none of the sugar mentioned in the said invoices has been or will be sold or disposed of by me, either directly or indirectly, for less than the daily quotations of the company, with freight added from refining point to point of sale, as per equality rate book, nor on more liberal terms as to credit or as to cash discount.

Sworn to before me this —— day of ———, in the year 189—.

Now, did that affidavit accompany the agreement, and was it complied with?

Mr. THOMAS. I think very probably it did. I notice that it states in here that all of the other refineries were selling sugars the same way.

Mr. MALBY. Well, I do not know whether they were or not. There is nothing here to indicate they were selling sugar at the same price.

Mr. THOMAS. Not the same price, but on the same terms.

Mr. MALBY. What is your statement as to that?

Mr. FULLER. He says the report shows that the others were doing the same thing.

The CHAIRMAN. What report?

Mr. FULLER. The one Mr. Malby read from.

The CHAIRMAN. Mr. Malby just read a copy of a letter. This report is not in evidence.

Mr. FULLER. It is stated in the document there that that was the general custom.

The CHAIRMAN. I do not know whether the others were doing that or not. We would like to know it if they were. That is one of the things we would like to know.

Mr. MALBY. If the other companies were following the American Sugar Refining Co., I have no objection to that going into the record. Do you understand that the other companies were following the American Sugar Refining Co. at that time?

Mr. THOMAS. I just say that that memorandum there indicates that.

Mr. MALBY. Your counsel seems to be anxious to have you refer to the memorandum, and I do not know anything about it, because I have not read it further than I read it to you, but we will be glad to have positive information upon that point. Were the other companies following the American Sugar Refining Co. as to prices during this period?

Mr. THOMAS. I do not know from my own recollection or belief.

Mr. MALBY. Have you any knowledge on the subject?

Mr. THOMAS. I have not.

Mr. MALBY. Now, it appears from these agreements that you not only had separate factors, but that you absolutely did, from time to time, dictate the price, and in order to see that none of them violated that agreement, you required them to make monthly statements to you under oath in order to entitle them to three-sixteenths of 1 cent per pound differential. Now, how long did that agreement continue in force by the American Sugar Refining Co.?

Mr. THOMAS. I think only for a short time, and it was abandoned years ago.

Mr. MALBY. Now, you say a short time, Mr. Thomas——

Mr. THOMAS (interposing). I can not tell you exactly.

Mr. MALBY. You appreciate the fact that that does not mean much to us. Can you approximate the time?

Mr. THOMAS. Well, it may have been two or three years. I do not know that it was as long as that.

Mr. MALBY. So that at least during that period of time the factors who sold the American Sugar Refining Co.'s product did not sell other refineries' products?

Mr. THOMAS. I have no doubt the conditions which you read there were complied with in some cases.

Mr. MALBY. Well, I think in all cases. Do you recall the fact to be that at any time since you were connected with the company and in charge of the New England refinery, that any persons were denied the purchase of refined sugar from the American Sugar Refining Co., who refused to sign what was called the factor's agreement?

Mr. THOMAS. I remember no such instance.

Mr. MALBY. Mr. Thomas, have you heretofore testified before any New York State investigating committee?

Mr. THOMAS. I have not.

Mr. MALBY. Or before a committee of the United States Congress, either the House or the United States Senate?

Mr. THOMAS. No; I never testified before any committee before.

Mr. MALBY. Do you know what the conditions were which led to the abandonment of that contract?

Mr. THOMAS. I do not.

Mr. MALBY. Was it on account of any investigation had by the New York State Legislature in 1898?

Mr. THOMAS. I have no knowledge of that fact at all.

Mr. MALBY. I have asked you with reference to the Arbuckle matter so far as sugar is concerned, and, while I think it is a matter of record, in order simply to have it corroborated, I would like to inquire whether the American Sugar Refining Co. about that time also went into the coffee business, in which Mr. Arbuckle was very largely engaged?

Mr. THOMAS. Whether it was about that time or not, I do not know. They were interested in the coffee business.

Mr. MALBY. You do not know whether the American Sugar Refining Co. was in the coffee business at the same time that Mr. Arbuckle came to Philadelphia and built his refinery in competition with the American Sugar Refining Co.?

Mr. THOMAS. That was Mr. Spreckels.

Mr. MALBY. Did Mr. Spreckels do so?

Mr. THOMAS. Mr. Spreckels was not in the coffee business.

Mr. MALBY. Did Mr. Arbuckle also build a refinery at Philadelphia, or was his refinery built here?

Mr. THOMAS. It was built here in New York.

Mr. MALBY. I see by the record which we have here that this coffee-sugar war, we will call it, was started in 1898. Was that about the time?

Mr. THOMAS. Well, if it is in your records, it is perfectly correct; I have no doubt about that.

Mr. MALBY. I think Mr. Jamison testified that that was the time.

Mr. THOMAS. I have no doubt he would remember.

Mr. MALBY. He would probably know about it?

Mr. THOMAS. He would probably know.

Mr. MALBY. Anyway, a time arrived when the war ceased between the American Sugar Refining Co. and Arbuckle by their substantially agreeing that there should be no further war in the sugar world, and that the American Sugar Refining Co. should cease to manufacture and sell coffee?

Mr. THOMAS. Oh, no; there was nothing of that kind. There was no agreement about ceasing.

Mr. MALBY. There was not any such agreement?

Mr. THOMAS. No.

Mr. MALBY. But that is exactly what happened, is it not, whether there was any agreement or not?

Mr. THOMAS. Well, the American Sugar Refining Co. did not go out of the coffee business for a considerable time afterwards.

Mr. MALBY. You say "a considerable time"; I think we have the records here——

Mr. THOMAS (interposing). I think I am quite correct about that.

Mr. MALBY. I think they went out of the coffee business about the same time.

Mr. THOMAS. No.

Mr. MALBY. You think the American Sugar Refining Co. did not go out of that business at the same time? Will you state how long, according to your recollection, they did continue in the coffee business after the war ceased on sugar?

Mr. THOMAS. Well, they went out of the coffee business in 1908.

Mr. MALBY. But is it not a fact, Mr. Thomas, that your coffee factory was wholly inactive for several years prior to the time you have in mind—when you say they went out?

Mr. THOMAS. Not that I remember, to my knowledge.

Mr. MALBY. In calling your attention to the time when the war ceased, I do not refer to the date when you finally sold out your interest in the coffee business, if you ever did, but I refer to the date when you substantially ceased to manufacture and sell coffee at wholesale. Was not that date substantially the date when you ceased to have a war over the sale of sugar?

Mr. THOMAS. Well, I think that there was a cessation in the activity in the coffee business, because there was a change in the package business. The business declined, and if such a thing happened, it was a mere coincidence, and not the result, as far as I know, of any agreement.

Mr. MALBY. My associate suggests that I inquire whether you would know if there had been such an agreement between Arbuckle and Havemeyer?

Mr. THOMAS. I think I would have known it, but I am not sure.

Mr. MALBY. Let us proceed in this way and see if we can come any nearer to unraveling the tangle: You do know there was a sugar war between the American and the Arbuckle companies, do you not?

Mr. THOMAS. I know the competition was very keen; very severe.

Mr. MALBY. For convenience we have called it a trade war, but I am not particular about terms. You do know that the American Sugar Refining Co. purchased a controlling interest in a coffee factory located at Toledo, Ohio?

Mr. THOMAS. Yes.

Mr. MALBY. That the date of the purchase of that coffee factory was during the contest between the two companies as to the sale of sugar?

Mr. THOMAS. It very likely was. It probably was.

Mr. MALBY. Do you not know that it was?

Mr. THOMAS. I do not remember the date; but I should think in all probability it was. I would almost be willing to say it was.

Mr. MALBY. And you know a time came when Mr. Arbuckle and Mr. Havemeyer held a consultation?

Mr THOMAS. Yes.

Mr. MALBY. Now, a time came, you say, when they did have a consultation with each other, which was followed by a so-called truce between the two rival companies as to the sale of sugar; that is so, is it not?

Mr. THOMAS. The war was not so keen after that, according to my recollection.

Mr. MALBY. I think Mr. Jamison describes it as a sort of armed neutrality; and while I do not quite concur in that, yet the contest did cease, did it not?

Mr. THOMAS. Well, it was not so keen.

Mr. MALBY. And about that time you also ceased to manufacture and sell large quantities of coffee at Toledo, did you not?

Mr. THOMAS. Well, I think that was inherent in the condition of the coffee business itself.

Mr. MALBY. That is not a fair answer to my question, and I move to strike out that answer.

The CHAIRMAN. Just answer the question, whether that is true or not. We are not asking for reasons.

Mr. MALBY. Pardon me; I do not care for the reasons unless you desire to express them. Is it not a fact that about that same time

you ceased to manufacture and sell large quantities of coffee at Toledo at wholesale?

Mr. THOMAS. It may have been so.

Mr. MALBY. I want to call your attention to the testimony of Mr. Gilmore, the managing partner of Arbuckle Bros. Referring to the contest which had been going on, Mr. Gilmore answers:

It has been going on for four or five years.
Mr. DYKMAN. It has been going on for four or five years.
The CHAIRMAN. This armed neutrality, you say, has been in existence the last four or five years?
Mr. GILMORE. Yes.
The CHAIRMAN. Since they closed down their coffee factory?
Mr. GILMORE. Naturally it would be since.
The CHAIRMAN. They closed it down about four or five years ago, did they not?
Mr. GILMORE. Yes; pretty nearly.
The CHAIRMAN. I think you said that they operated about five years, and that would fix it about four or five years ago?
Mr. GILMORE. Yes.
The CHAIRMAN. And you think this armed neutrality has been on ever since?
Mr. GILMORE. Yes. Have you drawn out all you want to know about what I mean by armed neutrality?
The CHAIRMAN. Yes; unless you want to make some further explanation of it.
Mr. GILMORE. No.

Is that an accurate statement of events as you understand them to have been?

Mr. THOMAS. Mr. Gilmore was in the center of the stage in that fight, and I have no doubt his memory on those facts is correct.

Mr. MALBY. In view of what Mr. Gilmore says and all of the other facts connected with the war between the Arbuckles and the American Sugar Refining Co., with reference to the sale of sugar and with reference to the sale of coffee, the American Co.'s going in and going out of the coffee business, and the relation which has existed between you since that time, would you be willing to assume that such results flowed from a conference held between Mr. Arbuckle and Mr. Havemeyer at the time you mentioned?

Mr. THOMAS. I do not know that I can assume it. It is very possibly so.

Mr. MALBY. Would that be your best judgment, that it did, either at that time, or at some other conference held between the two?

Mr. THOMAS. I can hardly answer that question.

Mr. MALBY. You were a member of the board of directors at that time, were you not?

Mr. THOMAS. I was.

Mr. MALBY. And you were not consulted about it, were you?

Mr. THOMAS. No.

Mr. MALBY. Do you know of any other member of the board being consulted about it?

Mr. THOMAS. No; I do not.

Mr. MALBY. Was there any other man of the American Sugar Refining Co. who could have accomplished that result excepting Mr. Havemeyer himself?

Mr. THOMAS. No; I think not.

Mr. MALBY. So that so far as the American Sugar Refining Co. was concerned, the agent through which this agreement was made, if it was ever made, must have been Mr. Havemeyer?

Mr. THOMAS. It probably would have been Mr. Havemeyer, without doubt.

Mr. MALBY. So far as you were advised, it must have been through him? It was not made through you, and, so far as you know, it was not made through any other director of the company?

Mr. THOMAS. Through anybody else—that is correct.

Mr. MALBY. Of course, Mr. John Arbuckle was the senior member of the firm of Arbuckle Bros., was he not, and really the real owner of the plant himself?

Mr. THOMAS. I understand so.

Mr. MALBY. So you would not have the slightest suspicion that anybody connected with his company would negotiate such an important matter except himself, would you?

Mr. THOMAS. I should think that would be the stronger likelihood and probability.

Mr. MALBY. So the probabilities are that the agreement was made between Mr. Havemeyer and Mr. Arbuckle?

Mr. THOMAS. If there were any; yes.

Mr. MALBY. It has those symptoms to the committee, which is somewhat desirous of getting definite information.

Speaking of the prices of sugar, can you tell me what the prices of granulated sugar are in London at the present time?

Mr. THOMAS. I can not to-day. I can get that for you, however.

Mr. MALBY. It is quite important, Mr. Thomas, if we could have it now and what it was six months ago, because there are some questions I want to follow on that, if you can have that looked up. I will pass that for the moment and go to something else.

Mr. THOMAS. I do not have it here.

The CHAIRMAN. Here is what you want, Judge Malby.

Mr. MALBY. I see by a table submitted by Mr. Atkins, on page 176 of the testimony of these hearings, that from 1885 to 1890, inclusive, the average cost of refined sugar, as I figure it, was 6.565. The tariff at that time was 3½ cents. From 1891 to 1893 the tariff on refined sugar was one-half cent. The wholesale price of refined sugar was 4.626 for the same period, leaving a difference in the average prices between 1885 and 1890, inclusive, and 1891 to 1893, inclusive, of 1.939. I call your attention to these figures in view of the question asked you by Congressman Sulzer as to what you thought the effect would be in case the tariff were removed. While the amount of tariff removed during this period was 3 cents, the price had been reduced so that the difference was 1.939. Have you any reason to suppose that the total reduction of the tariff at the present time would operate any differently than it did then?

Mr. THOMAS. There might have been peculiar conditions at this time.

Mr. MALBY. If there were peculiar conditions at that time, there certainly were no peculiar conditions about the tariffs. They existed for a period of years—I gave you the situation for a period of years.

Mr. THOMAS. There might have been short crops during that period of time, which might have made a difference.

Mr. MALBY. Then, in your judgment the long or the short crops are a material factor always in determining what the price is actually going to be for sugar?

Mr. THOMAS. They are undoubtedly a great factor.

Mr. MALBY. I discover that for the years 1891 to 1893 the price of raws was 3.621, and that for the years 1897 to 1903, when the tariff was 1.95 on refined, the price was 4.012, a difference of 0.391, or about one-third of a cent only on raws during that period of time. Would you expect in the future that the tariff would play any greater part in affecting the price of sugar than it did at that period?

Mr. THOMAS. I could hardly answer that. Of course, it would play a considerable part.

Mr. MALBY. In other words, you agree with me pretty largely that the prices of sugar depend considerably upon the question of supply and demand?

Mr. THOMAS. And the tariff also.

Mr. MALBY. And the tariff?

Mr. THOMAS. Yes.

Mr. MALBY. Of course, the only difficulty about our coming to a correct analysis about it is that we do not have both free trade and the tariff at the same precise moment, and therefore we never will know, excepting by comparison with other times, anything about what the proper deduction is. In other words, I have given you two periods of time, one when they had the free trade and the other when they had a tariff, when the difference in value was not the difference in the tariff by considerable, and that really is the only information which we have upon that subject, is it not, because we can never know what the price, for instance, of sugar would be to-day when we have a tariff, because you say the tariff does in some measure enter into its price, because we have one. We can not have them both at the same time; therefore we can not tell exactly.

Now, I call your attention to the fact that on January 1, 1904, the Cuban differential rate was passed, by which Cuban sugar was admitted at 1.348. I also discover that in the year 1904 the price of sugar was 4.772, but that in the year 1905 it was 5.256, or a little over half a cent, or about a half a cent higher than it was the preceding year under the same tariff except as modified by the differential with reference to Cuba. Do you know any reason for that increase in price during all those years?

Mr. THOMAS. Isn't it down there the decrease in Europe of 1,000,000 tons?

Mr. MALBY. I was going to ask whether that was a cause.

Mr. THOMAS. Yes; that contributed to it a good deal.

Mr. MALBY. You think that did contribute to it?

Mr. THOMAS. It did contribute to it.

Mr. MALBY. It was not owing to any combination between the American Sugar Refining Co. and other companies or refiners in this country?

Mr. THOMAS. So far as I know, not.

Mr. MALBY. Not so far as you know?

Mr. THOMAS. No.

Mr. MALBY. I see the next year, 1906, it fell to 4.515, or three-fourths of a cent, with a statement here by Mr. Atkins that there was an increase of 2,000,000 tons in Europe. Did that cause a decrease in price in this country, in your judgment?

Mr. THOMAS. It did. It must have affected it.

Mr. MALBY. I read down below as to 1907, when it was 4.649; as to 1908, with the statement "short crop in Cuba," 4.597. Did that

decrease in the crop of Cuba, in your judgment, influence the prices in this country?

Mr. THOMAS. Yes.

Mr. MALBY. The next year is 1909, 4.765; then 1910, "short crop in Europe," 4.972; so that, according to Mr. Atkins's statement, the prices of sugar have gone up or down, depending upon the supply in Europe and in Cuba, and with that statement do you agree?

Mr. THOMAS. Yes; largely. I would say it is a contributing factor, particularly to the price.

Mr. MALBY. Is not the fact that you have a practical—I will not use the word "practical." Is another fact owing to the present business relations existing between the American Sugar Refining Co. and the Arbuckles and others with reference to the sale of sugar?

Mr. THOMAS. Not so far as I know.

Mr. MALBY. Is that also a contributing cause?

Mr. THOMAS. Not so far as I know. They are not fighting to the extent they did.

Mr. MALBY. I am asking you simply whether in your judgment it is a fact that this cessation of extreme hostilities is a cause?

Mr. THOMAS. It might have been.

Mr. MALBY. As a matter of fact, Mr. Thomas—and I may say to you I am not quarreling with you about the matter, having some appreciation of the manner in which business is being done and, of necessity, must be done, for there is a wholesome competition and there is an unwholesome competition. There is competition which leads to the death of some and the survival of the fittest; and that, in my judgment, is not for the benefit of the general public.

With that assurance of my disinterestedness in that matter, or impartiality at least, I want to ask you whether or not it is a fact that the American Sugar Refining Co., being the largest single company refining sugar in this country, and possibly in the world, having its refineries located advantageously at Boston, at New York, in New Jersey, and Philadelphia, at Baltimore—if you still have one there—and in New Orleans, in San Francisco, and owning one-half of the stock of the Utah company, owning a majority of the interests in the Colorado group of beet sugars, owning a half interest or nearly so, if I recall it correctly, in the Michigan Beet Sugar Co., and a half interest in Utah—in fact, either being the absolute owners of the largest refineries in the country, having an interest to the extent of half or more in the other refineries—whether it is not a fact that the American Sugar Refining Co., to all intents and purposes, does control the wholesale price of sugar in this country?

Mr. THOMAS. I think not.

Mr. MALBY. Sir?

Mr. THOMAS. I think not.

Mr. MALBY. You think not?

Mr. THOMAS. No.

Mr. MALBY. Can you point out to the committee what inducement there would be to have a smaller company, less equipped territorially and financially, to bring on a trade war with your company?

Mr. THOMAS. I beg your pardon; will you kindly repeat that question?

Mr. MALBY. What would be the inducement for a smaller company, less forcefully equipped, to bring on war with your company?

Mr. THOMAS. I do not think there would be any inducement to bring on war.

Mr. MALBY. Had they actually done it? Let us get down to that point. Has any company attempted to make war on the American Sugar Refining Co. during the past 20 years except Arbuckles?

Mr. THOMAS. They have all been in competition.

Mr. MALBY. You understand that it is not just what I mean. They may have been in competition. I grant you that, that there has been competition. But has there been war? Has there been an effort made on the part of any companies to materially cut the prices of the American Sugar Refining Co.?

Mr. THOMAS. They have sold—they have had various prices and varied prices, and they have sold their product——

Mr. MALBY (interposing). They may have done so here and there, but one swallow does not make a spring, and one sale in a community does not fix the price. I mean, has anybody attempted to compete with you in any locality, so that it could be said that such company has fixed a price lower than that offered by the American Sugar Refining Co., anywhere in the United States?

Mr. THOMAS. I can not tell you as to that; I do not know.

Mr. MALBY. The American Sugar Refining Co., if such a company did attempt to lower the prices anywhere in any locality for any considerable period of time, would naturally take care of their trade in that community, would they not?

Mr. THOMAS. Probably.

Mr. MALBY. That is natural. I simply want an admission of an ordinary business fact.

So it comes about either by direct agreement or by intuition as to what is for the best interests of all, that there is a similarity of prices between the American Sugar Refining Co. and all other refining companies in the United States which do business in the same territory.

Mr. THOMAS. Of course there is a similarity, but it by no means follows that there is any agreement of any kind or nature whatever.

Mr. MALBY. I am not asking you that. I will conclude that there is not any agreement. I point out the fact to be that in every little country village in the State of New York retailers are selling sugar at precisely the same price, and I dare say there is no agreement at all, but one knows what the other is doing, and the little fellow usually finds out what the big fellow is doing first. That is just what I want to ask you—as to whether or not the American Sugar Refining Co. has not during the part 20 years practically dominated the price at which sugar should be sold at wholesale throughout the United States.

Mr. THOMAS. I can hardly answer that question. Of course we have been a factor in it, but all the other refineries have made their own independent prices and have cut as they chose.

Mr. MALBY. You have to-day competition among the beet-sugar industries of the United States, have you not?

Mr. THOMAS. We have.

Mr. MALBY. And good, sharp competition, say, with the Michigan Sugar Refining Co.?

Mr. THOMAS. We have.

Mr. MALBY. Notwithstanding the fact you have an interest in that company?

Mr. THOMAS. Yes; notwithstanding that fact.

Mr. MALBY. The fact is the beet sugar usually sells for about 20 cents per hundredweight below what the refined sugar sells for, does it not?

Mr. THOMAS. Cane sugar—10 to 20 per cent.

Mr. MALBY. I think the evidence is substantially 20, although sometimes 10.

Mr. THOMAS. Yes.

Mr. MALBY. During the time you were putting your sugar upon the market they were putting their sugar upon the market—I mean the beet-sugar men? The American Sugar Refining Co. scarcely ever attempts to invade their territory, do they?

Mr. THOMAS. Oh, yes; we go into any territory, wherever the price permits us to.

Mr. MALBY. I know; and that is just what I am inquiring about. Does the price permit you to go into Michigan territory when they are attempting to sell their sugar?

Mr. THOMAS. Only to a small extent; but they invade our territory here in the East during the same period.

Mr. MALBY. They do, because they can undersell you, or sell at a price which you do not want to take. You find also competition in Colorado beet-sugar men, do you not?

Mr. THOMAS. We do.

Mr. MALBY. And those in Utah and more in California?

Mr. THOMAS. We do not reach quite as far west as that.

Mr. MALBY. Why do you not sell in California?

Mr. THOMAS. Because their prices there are such and the freight is so against us that we can not reach there.

Mr. MALBY. That is to say, they can sell sugar to the consumer cheaper than you can afford to sell?

Mr. THOMAS. We can not reach there on account of the freight. The freight is prohibitive.

Mr. MALBY. You do not sell on the Pacific slope for two reasons, probably: One is the freight rate. That is, your cost would be greater than that on the Pacific slope?

Mr. THOMAS. Yes.

Mr. MALBY. Does that same reason hold good with reference to Utah, Colorado, and Michigan?

Mr. THOMAS. I think so.

Mr. MALBY. So that, reverting to the question once more, if the beet-sugar industry was wholly destroyed, then you would get in there, would you not?

Mr. THOMAS. We would extend our sales, undoubtedly.

Mr. MALBY. Let us be frank about it. You would extend your sales to every single household where beet sugar is now sold, which would pay the price, would you not?

Mr. THOMAS. Oh, yes. It would take the place of beet sugar.

Mr. MALBY. And the purchasers in such localities, if no refineries existed there to-day, would be obliged from the very nature of things to pay you such additional cost and expense as would be necessary to put your sugar into their market?

Mr. THOMAS. I would hardly say "us," meaning the American Sugar Refining Co., because they would deal with our competitors as well.

Mr. MALBY. I mean you, if you put any in there. You understand my statement, I assume? Suppose the beet-sugar interest of Utah, Colorado, and Michigan were wiped out, the territory in which you now sell but little, would the consumer not have to pay the additional price on account of their disappearing as a competitive company or factor, whether to you or somebody else, I do not care whom?

Mr. THOMAS. That would depend largely on the price of sugar throughout the world.

Mr. MALBY. I am speaking of the present situation, so we will not have any question about what is going on throughout the world.

Mr. THOMAS. Will you please repeat your question or have the stenographer read it to me?

Mr. MALBY. I ask, in case of the beet-sugar industry being wiped out in Colorado, Michigan, and Utah to-day, whether or not the consumer in the localities supplied by such beet-sugar companies would not have to pay a higher price than they do to-day?

Mr. THOMAS. I can not answer that question.

Mr. MALBY. There would be so much less sugar in the world if they did not manufacture it, would there not?

Mr. THOMAS. Yes.

Mr. MALBY. You have very readily answered me that a diminution of a million tons did actually very greatly increase the price, although the million tons was a million tons in the world's supply. You have answered that that affected the American market?

Mr. THOMAS. Yes.

Mr. MALBY. You have also answered that a 2-million-ton surplus greatly decreased the market, have you not?

Mr. THOMAS. Yes.

Mr. MALBY. Why have you any hesitation in saying that if the beet-sugar industry in this country were wiped out that would not have a like effect upon it?

Mr. THOMAS. I think it would have an effect to a certain extent. How much of an extent I can not tell you.

Mr. MALBY. I did not ask how much effect. I ask whether it would increase the price of sugar to the consumer, and you told me you did not know. Do you not want to change that?

Mr. THOMAS. I think it possibly might increase, but to what extent I can not tell you.

Mr. MALBY. I am not asking about the extent; I know perfectly well you do not know to what extent.

Something has been said—and I think I will close with this—about the directors of your company desiring to sell certain beet-sugar stock. Is that a fact?

Mr. THOMAS. Yes; that is correct.

Mr. MALBY. Are the members likewise who want to sell the beet-sugar stock also in favor of a lower tariff on sugar?

Mr. THOMAS. Yes.

Mr. MALBY. They do not want to hold the beet-sugar stock if the tariff is to be lowered, in other words?

Mr. THOMAS. I think that is their position.

Mr. MALBY. And very naturally so. There are others, however, who, I take it, are not in favor of selling the beet-sugar stock?

Mr. THOMAS. That is correct.

Mr. MALBY. And those gentlemen naturally are not in favor of a reduction in the tariff?

Mr. THOMAS. Well, I think many feel that the interest in the beet-sugar business of the American Sugar Refining Co. is a very good one. You know, in the winter, when the beet-sugar crop comes upon the market, the demand for cane sugar is light in the East, and the price is apt to be very low, and during——.

Mr. MALBY (interposing). I appreciate all that.

Mr. THOMAS. I am getting at the reason why some wish to hold the stock.

Mr. MALBY. That is one reason; yes; but of course you know that is not the reason which is contained in my question, which I prefer to have answered.

Mr. THOMAS. Will you please repeat the question?

Mr. MALBY. There are lots of reasons, I know. My inquiry was as to whether or not there are members of your board of directors who do not want to sell the beet-sugar stock, and I followed it with the question as whether they were not also of a mind that they did not want the tariff reduced.

Mr. THOMAS. I am inclined to think so.

Mr. MALBY. I want to ask just one or two more questions. I understand you own half of the stock of the Michigan Beet Sugar Co.?

Mr. THOMAS. I do not know the proportion, but you have it there in the record.

Mr. MALBY. Is that correct, Mr. Chairman?

Mr. GARRETT. Not of the Michigan company.

The CHAIRMAN. I will give the exact figures, if you want them. They own 35 per cent of the common and 55 per cent of the preferred. That is the statement of Mr. Atkins.

Mr. MALBY. We will take the Michigan sugar factories. Is there anybody desiring to sell any of that stock? They own 55 per cent of the preferred stock, according to Mr. Atkins, and 35 per cent of the common. Is there anyone proposing to sell 55 per cent of that preferred stock that you know of?

Mr. THOMAS. I think not.

Mr. MALBY. You think not?

Mr. THOMAS. No.

Mr. MALBY. I can conceive of more than one reason. The company is doing fairly well, is it not?

Mr. THOMAS. I understand so.

Mr. MALBY. And another reason is that if you should sell any proportion of that 55 per cent, it would somewhat lessen the control which the American Sugar Refining Co. has in that company, would it not?

Mr. THOMAS. Would affect the control?

Mr. MALBY. Yes.

Mr. THOMAS. We have very little control over it.

Mr. MALBY. Fifty-five per cent is quite a masterful control.

Mr. CRAWFORD. The common stock answers, too.

Mr. THOMAS. We have not 55 per cent of the total stock. We have less than 50 per cent of both kinds of stock, have we not?

Mr. MALBY. Are you sure about that?

Mr. FULLER. Thirty-five per cent of common and 55 per cent of preferred.

Mr. MALBY. Do you know whether they have equal voting power or not?

Mr. FULLER. Yes; they have equal voting power.

Mr. MALBY. But you are not selling any of it?

Mr. THOMAS. We have not. We have sold some in the past two or three months of the common stock.

Mr. MALBY. Do you know how much?

Mr. THOMAS. I can not tell you the quantity.

Mr. MALBY. Take, now, the Colorado group. I think, according to the testimony, that in the Colorado group, of which Mr. Morey is manager, you have a majority of that stock. Has any of that been sold or is any of it being offered for sale by the company?

Mr. THOMAS. You are speaking of the Great Western now, Mr. Morey's company?

Mr. MALBY. I think so.

Mr. THOMAS. Is any effort being made to sell any of that stock?

Mr. MALBY. Yes.

Mr. THOMAS. A very little, in order to widen the distribution of the stock.

Mr. MALBY. For purely business reasons?

Mr. THOMAS. We want to increase the local interest.

Mr. MALBY. That is all right; that is a legitimate proposition; but you are not selling enough so as in any wise to interfere with whatever may be your present control of that company?

Mr. THOMAS. We do not have control of that company.

Mr. MALBY. I beg your pardon; I think you do.

Mr. CRAWFORD. No; the figures do not show that.

Mr. MALBY. I think the examination which I conducted of Mr. Morey indicated that they do.

Mr. CRAWFORD. He said the Havemeyer estate and the American together have, being connected together, a majority, but Mr. Freeman has put in the official figures here, which show they had less than one-third.

Mr. MALBY. That may be true, that Mr. Havemeyer's estate and the American Sugar Refining Co. together had the majority. I believe you are correct.

Mr. CRAWFORD. That is the testimony.

Mr. MALBY. The Havemeyer estate is not at war seriously with the American Sugar Refining Co., is it?

Mr. THOMAS. At no war, but personally independent.

Mr. MALBY. Oh, yes. They are not voting their stock, as you know, contrary to the wishes of the American Sugar Refining Co. even now, are they?

Mr. THOMAS. They might do it.

Mr. MALBY. They might; but are they doing it?

Mr. THOMAS. They have not had any opportunity to vote.

Mr. MALBY. Oh, yes; they have had an opportunity. They have a yearly meeting of the stockholders, do they not?

Mr. THOMAS. They may have voted the way we did sometime in the past. I do not know what they might attempt to do.

Mr. MALBY. Has it come to your knowledge as president of that board that there has been any effort made by the Havemeyer estate to act independently of the American Sugar Refining Co. in voting any of its stock?

Mr. THOMAS. No; but I am quite sure they would act independently.

Mr. MALBY. I am not asking you that. However independent they may be is another question. Mr. Havemeyer died three years ago, and I ask whether, to your knowledge, from your official position or personally, you know of a single instance where the Havemeyer estate voted their stock against either the wishes or the interest of the American Sugar Refining Co.?

Mr. THOMAS. They have, so far as I know, voted exactly the same way.

Mr. MALBY. That is an answer. But, so far as voting against the wishes is concerned, that is another proposition. I am not blaming them in the slightest degree. I am simply inquiring as to the fact.

Take, now, the Utah Co. They own 50 per cent of that, do they not?

Mr. THOMAS. Forty-nine per cent.

Mr. MALBY. Do you know what the American Sugar Refining Co. has done, if anything, about disposing of any of that stock?

Mr. THOMAS. I do not.

Mr. MALBY. Do you know of the American Sugar Refining Co. disposing of any of that stock?

Mr. THOMAS. I think not. I can not answer that at the present time.

Mr. MALBY. Take the Spreckels Sugar Refining Co. of San Francisco. According to the record, you own 50 per cent of that. That is correct, is it not?

Mr. THOMAS. Yes.

Mr. MALBY. Do you know of any of that stock being disposed of?

Mr. THOMAS. No, sir; I do not.

Mr. MALBY. While I am not inquiring into your business affairs in any way, I do not suppose the company would deem it advisable to dispose of any of that stock?

Mr. THOMAS. Well, I hardly know.

Mr. MALBY. As a business proposition you would not advocate the disposal of any of that stock, would you?

Mr. THOMAS. The conditions might materially change.

Mr. MALBY. So long as you have amicable relations with Mr. Spreckels, it would not make very much difference whether you owned 50 per cent or 49 per cent; but if conditions change whereby Mr. Spreckels does not quite agree with you, then it would be of importance that you should have at least 50 per cent of that stock, would it not?

Mr. THOMAS. Mr. Spreckels is a very independent man and would do just as he liked.

Mr. MALBY. Then it would be important for you to retain your 50 per cent, would it not?

Mr. THOMAS. Yes.

Mr. MALBY. And you would not regard it as a matter of good business to dispose of any of it, would you?

Mr. THOMAS. Not under present conditions.

Mr. MALBY. As a matter of fact, as a business man, has it not been your experience that when a company controls 49 or 50 per cent of the stock of any company, that with such per cent the company may, if it chooses, absolutely control the company itself?

Mr. THOMAS. I can not say that. Of course, they have a great——

Mr. MALBY (interposing). Has not that been your experience in all business affairs, that where a company owns 49 or 50 per cent, it may, if it chooses, at any time step in and control the company?

Mr. THOMAS. They have a voice in its management, certainly.

Mr. MALBY. I did not ask you that. I suppose I have a voice in the management of some little companies in which I may own 50 shares of stock, but the voice is so weak that it is never heard and never will be; but if I owned 50 per cent of the stock, or 49 per cent of the stock, you could hear me wherever that company did business. I am asking you whether your company is not situated the same as I would be, owning 49 or 50 per cent of the stock?

Mr. THOMAS. We would have a great deal to say as to the management of the company.

Mr. MALBY. Could you not absolutely control it if you wished?

Mr. THOMAS. We might block any scheme, but so far as controlling it with 1 per cent less than 50 per cent of the stock we could not do it.

Mr. MALBY. It appears that both in Utah and Colorado, as well as in Michigan, and I think in California to a lesser degree, the stock is distributed over a wide area and is held by many individuals. Would it not be a practical impossibility for any opposition to be so consolidated in either one of those companies as to be able to outvote the stock held by your own company? What do you say about that?

Mr. THOMAS. I can not answer that. The occasion has never arisen.

Mr. MALBY. And you would not venture a guess even upon so certain a proposition as this?

Mr. THOMAS. I should hardly care to guess at it.

Mr. MALBY. I think our friends from Utah said there was a certain portion of their stock upon the market for sale.

Mr. THOMAS. Yes.

Mr. MALBY. If so, it would be an easy matter to acquire it, if you so desired?

Mr. THOMAS. Undoubtedly.

Mr. MALBY. Enough to absolutely control?

Mr. THOMAS. I should think so. I do not know how much they have for sale.

Mr. MALBY. I ask whether there is also upon the market any of the Colorado group stock for sale?

Mr. THOMAS. I think they are distributing a little of it there from the original holders in order to extend——

Mr. MALBY (interposing). Isn't it upon the market and sold upon the market?

Mr. FULLER. It is our stock that is upon the market.

Mr. THOMAS. It is our stock that is upon the market.

Mr. MALBY. I understood you to say you were not selling any.

Mr. FULLER. You asked about the Colorado.

Mr. MALBY. I am talking about the Colorado. Are you selling any on the market?

Mr. THOMAS. We have sold and are selling a very small quantity for the purpose of distribution.

Mr. MALBY. I think Mr. Morey's statement was that the common stock was generally dealt in on the market in Denver, and I was wondering whether you were furnishing some of that stock or not for sale, or whether others were furnishing it also.

Mr. THOMAS. I think others contribute to a small extent.

Mr. MALBY. Was that pursuant to an agreement and understanding between yourselves and the local directors that that was a good thing to do, to make a little distribution?

Mr. THOMAS. I thought it was a good thing to distribute this stock.

Mr. MALBY. That is a fair business proposition, and I will not quarrel with that. Is the Michigan stock on the market also, subject to sale?

Mr. THOMAS. Only in a moderate degree. We have reduced our holdings in the Michigan common stock.

Mr. MALBY. What is the given name of the Mr. Spreckels who is doing business at Yonkers?

Mr. THOMAS. They call him C. A. Spreckels, I think.

Mr. CRAWFORD. C. Augustus.

Mr. MALBY. Has the American Sugar Refining Co. any close business relations with C. Augustus Spreckels?

Mr. THOMAS. No; not close.

Mr. MALBY. Has anything occurred between you that has prevented you from getting close in a business way?

Mr. THOMAS. No; not particularly. He is a keen competitor.

Mr. MALBY. Is he having lawsuits with you, and things of that kind?

Mr. THOMAS. No; he has no lawsuits with us.

Mr. MALBY. Any proceedings before the Interstate Commerce Commission, in which your interest and his are contrarily involved?

Mr. THOMAS. I think there is a question involved there. I think our traffic manager has testified as to that. I am not familiar with the traffic end of our business.

Mr. MALBY. I was simply wondering what the relations which existed between you were, owing to the fact you were having a litigation or a legal proceeding before the Interstate Commerce Commission—whether that was the cause of the fact that you did not have close business relations?

Mr. THOMAS. Oh, no; not at all.

Mr. MALBY. I think, Mr. Chairman, that is all I care to ask.

Mr. RAKER. Mr. Chairman, I was a little late this morning by virtue of slow trains, and there are two little matters I would like to inquire about, and then I am through—if there is no objection.

The CHAIRMAN. Suppose you give the other members a little opportunity and then we will come back to you. I think Judge Madison has prepared his examination and is ready to proceed. Judge Madison, will you proceed?

Mr. MADISON. Let Mr. Hinds proceed, if you will, Mr. Chairman.

The CHAIRMAN. Very well; Mr. Hinds, you may proceed. Mr. Thomas, Mr. Hinds wishes to ask you some questions about this matter.

Mr. HINDS. What year, Mr. Thomas, did your father's refinery pass into the possession of the trust?

Mr. THOMAS. It passed into the possession of the original trust, Sugar Refineries Co., in 1887.

Mr. HINDS. You were at that time associated in business with your father?

Mr. THOMAS. I was a salesman in the office at that time.

Mr. HINDS. With him daily?

Mr. THOMAS. Yes, sir.

Mr. HINDS. You have testified, I think, you have made a rough estimate, that the value of that property was perhaps about $1,500,000?

Mr. THOMAS. Yes; I made that as a rough estimate, to be later corrected.

Mr. HINDS. And you have not yet verified that?

Mr. THOMAS. I will have to go back to Boston to verify that.

Mr. HINDS. Have you any idea how much in trust certificates you got for that property?

Mr. THOMAS. No. That I am going to give to the committee later. I was requested to do that.

Mr. MALBY. You have no doubt your father made as good an arrangement as most of the others who went in—the Harrisons and those?

Mr. THOMAS. I do not know what arrangements others made.

Mr. HINDS. The Harrisons, for instance, for a refinery worth from $3,500,000 to $5,000,000, got $10,000,000 of trust certificates.

Mr. THOMAS. As I say, naturally, until I know exactly what we got, I could not answer the question.

Mr. HINDS. You have no doubt that there was a large increase?

Mr. THOMAS. There was an increase, but to what extent I do not know.

Mr. HINDS. Your father was reluctant to go into the trust, was he not?

Mr. THOMAS. In one way he was; but he was an old gentleman, about 80 years of age at the time, and I think he wished to retire from business and transfer the cares and anxieties on younger shoulders, and the business at that time was also not profitable.

Mr. HINDS. The competition was severe?

Mr. THOMAS. Competition was very severe.

Mr. HINDS. Do you think that competition alone would have caused him to go into that trust?

Mr. THOMAS. I do not know his motives. I think, as I say, the desire to lighten his burden had a great deal to do with it.

Mr. HINDS. Most of the other men who sold out to the trust have testified before us that they would not, merely for avoiding competition, have gone into the trust; that the large bonus which the trust paid made them feel they could not go on independently when they could retire at so good a price. Have you any idea whether that was a large motive in the case of your refinery?

Mr. THOMAS. I should think it was very likely that was a strong inducement.

Mr. HINDS. You think it likely that was a strong inducement?

Mr. THOMAS. Yes; I should think so.

Mr. HINDS. From your judgment of trusts and their ways, would you think that if in some way the offering of such inducements could be subject to governmental regulation the tendency to put business in the trusts would be greatly checked?

Mr. THOMAS. I think that such legislation would be very desirable.

Mr. HINDS. You think it would practically stop the formation of trusts, do you?

Mr. THOMAS. I do not know whether—I am not prepared to say that, but I think governmental supervision and regulation would be an excellent thing.

Mr. HINDS. I did not ask about supervision after the corporation was once formed. I was asking as to preventive measures, to prevent these large bonusus and inducements for aggregating small businesses beyond a strictly business reason.

Mr. THOMAS. I think it would undoubtedly reduce the number of such promotions.

Mr. HINDS. What was the object of the founders of the trust? Was it to establish a monopoly?

Mr. THOMAS. I could hardly call it that.

Mr. HINDS. It was to do away with that ruinous competition, was it not—that is, that troublesome competition that existed at that time?

Mr. THOMAS. It would no doubt minimize part of it, and of course the consolidation would reduce the expenses probably, in general consolidation of offices and various other things, and the refineries would probably be able to make sugar cheaper, working as a consolidation than they would separately.

Mr. HINDS. Do you have any real doubt but that the founders of the trust aimed as an approximation at a monopoly?

Mr. THOMAS. I do not think they had any ambition to create a monopoly. I think they wanted to avoid continually and constantly losing money.

Mr. HINDS. Perhaps I will modify that question. I will not use the old antique term "monopoly," which had a different significance, I think, in the past from what it has had since the Supreme Court decision. You have no doubt, have you, that their object was to minimize competition so far as possible?

Mr. THOMAS. I think their object was to make more money than they were making.

Mr. HINDS. And competition was the source of their failure to make money, was it not?

Mr. THOMAS. Undoubtedly.

Mr. HINDS. So it gets around to the same thing. They desired to suppress competition to as great an extent as they could, did they not?

Mr. THOMAS. I would not say that—to suppress competition.

Mr. HINDS. I will put it in the defensive form—to fortify themselves against competition?

Mr. THOMAS. To a certain extent, probably.

Mr. HINDS. In your opinion, to what extent has that object been realized in the last 25 years?

Mr. THOMAS. I do not think it has been realized to a great or complete extent, by any means, because we have always had competition.

Mr. HINDS. So far as the trust as an entity is concerned, you have not kept your proportion of the business in the country, have you?

Mr. THOMAS. No; the competition has constantly grown.

Mr. HINDS. Do you know how much you had when you were in the full bloom of youth?

Mr. THOMAS. Our proportion of business?

Mr. HINDS. Yes.

Mr. THOMAS. I can get that—you mean compared with what we have to-day?

Mr. HINDS. Yes.

Mr. THOMAS. I can get that for you.

Mr. HINDS. From 75 to 80 per cent, was it not?

Mr. THOMAS. I believe it is in the record.

Mr. HINDS. If it is in the record, I will not ask you about that. Perhaps you can give a general answer that the effect, if it was the intention to monopolize the sugar production, was not brought about? That has not been a success wholly?

Mr. THOMAS. It was a complete failure.

Mr. HINDS. A complete failure you think?

Mr. THOMAS. I think so, because the competition has grown.

Mr. HINDS. You will modify that a little, will you not? Has not the creation of a great corporation given that corporation a certain moral power which deters competitors from undue competition with it?

Mr. THOMAS. I do not think so.

Mr. HINDS. You do not think so?

Mr. THOMAS. No; I do not.

Mr. HINDS. We have all been in school, and we know the power of the big boy. Is not that something the same in the domain of trade?

Mr. THOMAS. I think, as the figures will show, this competition has grown, and we have not by any means stifled it. It has grown right up and grown very strong.

Mr. HINDS. As to domination of the market. But as to prices, have they been as vigorous in ruinous depressions of prices, do you think?

Mr. THOMAS. Possibly not so much, but still it varies from year to year and from time to time. May I just read this to you?

Mr. HINDS. Yes.

Mr. THOMAS. This is in the record. Our percentage of the consumption of refined by the American Sugar Refining Co. in 1900 was 67.30 per cent, and we came down in 1900 to 42.14 per cent.

Mr. HINDS. I was aware of those figures. What I was asking for was a time anterior to that, when the trust was first organized. I had an impression I had seen somewhere that it was at that time 90 per cent of the sugar output that they controlled?

Mr. THOMAS. I have seen that. Whether it is in the record or not I do not know. It was stated in the Government bill.

Mr. FULLER. In the Knight case.

Mr. THOMAS. That statement was found by the court in the Knight case.

Mr. HINDS. And the chairman also just refers to the testimony of Mr. Havemeyer before a congressional committee, wherein he estimates it at from 75 to 80 per cent. He probably did not underestimate it. That was in 1897.

The CHAIRMAN. Before the Lexow committee.

Mr. HINDS. That may be at an earlier time still, when their control was greater.

When these beet-sugar properties were acquired, in your opinion, what was the animating reason for that acquisition of property?

Mr. THOMAS. To my mind, the reason was we wished to enter into a branch of the business which seemed to be very profitable and likely to become profitable.

Mr. HINDS. That is, you did not do it to extend the idea of reducing competition?

Mr. THOMAS. No; we went into it because it was profitable, according to my ideas.

Mr. HINDS. To what extent were the owners of the trust, the great body of the owners, consulted in that move?

Mr. THOMAS. You mean the stockholders?

Mr. HINDS. Yes. Was that determined at a stockholders' meeting?

Mr. THOMAS. No; that was not determined at a stockholders' meeting.

Mr. HINDS. Was it determined at a directors' meeting?

Mr. THOMAS. It was determined at a directors' meeting. I think the records will show that.

Mr. HINDS. Do you remember any discussion of it at that meeting?

Mr. THOMAS. I do not remember.

Mr. HINDS. Were you a member at that time of the board of directors?

Mr. THOMAS. I was not a member when the first interest was taken in the beet-sugar business, but I came in a year or so afterwards, after some had been acquired.

Mr. HINDS. You came in in the midst of the acquisition?

Mr. THOMAS. The acquisition had been going on, I think, about a year, or possibly longer.

Mr. HINDS. Was that acquisition the subject of some criticism and dissention?

Mr. THOMAS. The acquisition at that time?

Mr. HINDS. Yes.

Mr. THOMAS. No.

Mr. HINDS. Mr. Atkins at one time protested, did he not?

Mr. THOMAS. He was not a member of the board of directors at that time.

Mr. HINDS Was he a stockholder?

Mr. THOMAS. He was a stockholder. He may have protested to some person individually, but that I do not know.

Mr. HINDS. You think that the idea of an investment was more prominent in the directing mind or the directing minds of the Sugar Trust than the idea of further decreasing competition when they acquired these beet-sugar properties?

Mr. THOMAS. I think they felt it offered a field for the profitable investment of capital.

Mr. HINDS. Is that still the opinion of the directing minds of the trust?

Mr. THOMAS. There is a difference of opinion about holding these beet-sugar stocks.

Mr. HINDS. May I ask you the extent of that difference of opinion?

Mr. THOMAS. I can hardly say it is in any situation other than beyond the fact there is a difference of opinion.

Mr. HINDS. How many directors have you?

Mr. THOMAS. We have 11.

Mr. HINDS. Can you give any idea what proportion of them are in favor of free sugar?

Mr. THOMAS. I can not, but I think there are some quite undecided.

Mr. HINDS. The majority sentiment is in favor, I suppose, of disposing of that property, or some of it?

Mr. THOMAS. I can hardly answer that.

Mr. HINDS. You are disposing of some, are you?

Mr. THOMAS. Yes; very little.

Mr. HINDS. The reason I ask this is that Mr. Atkins, the president of your company, I think, testified quite positively you were disposed to get rid of that beet-sugar property.

Mr. THOMAS. Yes; he is one of those who is rather in favor of it.

Mr. HINDS. You also testify, I think, that those in favor of selling the beet-sugar stock also favor a lower tariff on sugar?

Mr. THOMAS. Yes; I think that is correct.

Mr. HINDS. Is the converse of that true, that that portion of your company which is in favor of keeping the beet-sugar stock is in favor of leaving the tariff as it is?

Mr. THOMAS. I can hardly say about their tariff views. I do not know. Of course, undoubtedly, as I was saying, the argument for the retention is that our interests in the beet-sugar business are very profitable during the season of the year when it is unprofitable in the East.

Mr. HINDS. In other words, the deduction seems to be, to my mind, that you regard the tariff on sugar as rather favorable to the beet-sugar industry and rather unfavorable to the cane refining industry—that is, the present rate?

Mr. THOMAS. Yes; I think a material reduction in the tariff would possibly increase the business of the refineries on the eastern seaboard.

Mr. HINDS. That is, of the cane refineries?

Mr. THOMAS. Of the cane refineries, and would adversely affect the beet-sugar factories.

Mr. HINDS. So that in the grand strategy of the sugar situation, a little lowering of the tariff would tend, probably, to help the cane refineries and check, perhaps, the beet-sugar refineries?

Mr. THOMAS. To some extent. That would be the tendency, I think.

Mr. HINDS. So that, apparently, the Sugar Trust in the last three years has changed its attitude a little on that subject?

Mr. THOMAS. I think; to a slight extent.

Mr. HINDS. What I have in mind is a brief which was filed by Mr. Heike in behalf of the American Sugar Refining Co. three years ago, in November, 1908, when the tariff question was up. That took positive grounds in favor of the present tariff. Can you tell me what influences caused in the drawing and filing of that brief?

Mr. THOMAS. I can not.

Mr. HINDS. In November, 1908, was Mr. Havemeyer then alive?

Mr. THOMAS. No; he was not alive then. The company was undoubtedly in favor of a retention of the present tariff.

Mr. HINDS. At that time?

Mr. THOMAS. At that time; yes. That is, they wished no change, and since his death new influences have come into the fore, and they would not subscribe to any such sentiment as that, probably.

Mr. HINDS. You think that statement filed at that time represented the Havemeyer idea of administration, do you?

Mr. THOMAS. Mr. Havemeyer was not living at that time.

Mr. HINDS. No; but I suppose his ideas were still predominant, were they not, in the company?

Mr. THOMAS. I can hardly say that. I do not know what Mr. Havemeyer's idea would be, naturally, but to my mind he probably would like to have had the tariff remain just as it was.

Mr. HINDS. Did you not know, knowing what has appeared from the testimony, that Mr. Havemeyer, so far as he personally was concerned, had taken his own private means out of the American Sugar Refining Co.—that is, he had ceased to be a stockholder to any extent? Did you know that?

Mr. THOMAS. I heard that, that he had for some years had very little interest in the sugar company. It was not anything recent at all. I do not know when, but I think it was a considerable time ago when he relinquished his financial interests in the company.

Mr. HINDS. And it is evident from the testimony that he had invested his private means to a large extent in the beet industry?

Mr. THOMAS. He no doubt did so.

Mr. HINDS. Do you know at all what motives or what business reasons caused him, so far as his own fortunes were concerned, to abandon the cane-refining business to go into the beet-producing business?

Mr. THOMAS. I do not know what his motives were, except that I suppose he thought it was a profitable deal for the investment of his money. Beyond that I do not know.

Mr. HINDS. Have you noticed lately the brief which the American Sugar Refining Co. filed in 1908 with the Ways and Means Committee when they were investigating the subject of the tariff?

Mr. THOMAS. No; I have not. I have not seen it for a long time.

Mr. HINDS. I will call your attention to two points and see if you remember them. One point which the refining company made was that in Europe cane sugar and cane refining had been almost entirely or to a large extent displaced by the beet sugar and the beet refining. Had you had your attention called to that?

Mr. THOMAS. I believe that is a correct statement of the case.

Mr. HINDS. So that this country is really the great cane refining country—the United States?

Mr. THOMAS. Yes; substantially. I do not know the exact figures, but I understand that to be the fact.

Mr. HINDS. Had your attention also been called to a statement which the American Sugar Refining Co. made at that time that cane refining is a very costly process as compared with the refining of sugar from the beet?

Mr. THOMAS. If that is in there, I undoubtedly knew it at the time.

Mr. HINDS. That made the point that cane refining was much more expensive and required more capital and was more difficult. In reading that over, it seems so surprising to me that a great cane refining organization should make that argument that I sought for a motive.

Mr. THOMAS. The cost of refining sugar from cane is greatly enhanced by the necessity of the very extensive filtration. The filters are very expensive and the machinery is very much more expensive than in the construction of a beet-sugar factory.

Mr. HINDS. Do you suppose Mr. Havemeyer, knowing well those conditions, came to the conclusion that after all he thought he would rather embark his fortunes in the beet industry than in the cane industry?

Mr. THOMAS. I can hardly testify as to that.

Mr. HINDS. I did not know but you might have been familiar with that. To me that was a very surprising admission, coming from a great cane-sugar refiner, and I was looking for the underlying reasons for it.

Mr. THOMAS. Mr. Hinds, possibly you would like this information about sales of stock in the beet-sugar companies?

Mr. HINDS. Yes.

Mr. THOMAS. These are from the beginnng. In the American Beet Sugar Co., $7,500,000.

Mr. HINDS. You have sold that?

Mr. THOMAS. Yes. In the Greai Western Co., $3,500,000; in the Michigan Co., $1,150,000; and in the Utah Co., $74,500.

Mr. HINDS. So that you have sold, in all of your big sugar holdings, what total?

Mr. THOMAS. About $12,000,000.

Mr. HINDS. What were you total holdings at the high-water mark?

Mr. CRAWFORD. The table is on page 362.

The CHAIRMAN. It shows about $35,000,000 to have been the total.

Mr. HINDS. So you sold $12,000,000 out of $35,000,000?

Mr. THOMAS. Yes.

Mr. HINDS. Have you acquired any?

Mr. THOMAS. No; we have not.

Mr. HINDS. What were the limits of time as to the sale of that $12,000,000 of beet-sugar properties?

Mr. THOMAS. It extended over a period, I should think, of about five years.

Mr. HINDS. Had you begun to sell before Mr. Havemeyer's death?

Mr. THOMAS. I think we sold a very little of the American Beet Sugar Co.'s stock, but none of the others.

Mr. HINDS. Did you sell all of that?

Mr. THOMAS. We sold $4,000,000 before he died.

The CHAIRMAN. Of the American Beet?

Mr. THOMAS. Of this $7,500,000 which we sold in all.

Mr. HINDS. So $4,000,000 of the $12,000,000 were sold before he died?

Mr. THOMAS. Yes.

Mr. HINDS. Was that sold on his initiative?

Mr. THOMAS. Oh, yes.

Mr. HINDS. What reason caused him to do that?

Mr. THOMAS. I do not know what his motive was.

Mr. HINDS. Did that really represent an intention of Mr. Havemeyer to retire from the beet-sugar field, or was it because of some business differences he may have had with a particular western beet-sugar enterprise?

Mr. THOMAS. I can not tell you that, Mr. Hinds.

Mr. HINDS. That which you sold after Mr. Havemeyer's death was largely of the American Beet Sugar Co., was it not—one single company?

Mr. THOMAS. Yes; one single company.

Mr. HINDS. Entirely one single company?

Mr. THOMAS. Yes; that is right.

Mr. HINDS. Do you know whether the relations of the American Sugar Refining Co. with that single company had been harmonious?

Mr. THOMAS. I think there has been a little friction in a way.

Mr. HINDS. In other words, that company did not work in well?

Mr. THOMAS. They had a little friction, but I do not know whether that had any influence.

Mr. HINDS. Incompatibility of temperament?

Mr. THOMAS. You might call it that.

Mr. HINDS. What was that friction? What was it about?

Mr. THOMAS. Well. I do not know the particulars of it. I know there was some disagreement in regard to various matters.

Mr. HINDS. As to prices in competition in the field in selling sugar?

Mr. THOMAS. I think they had some friction over this matter which was brought up here this morning, on that agreement.

Mr. HINDS. That selling agreement?

Mr. THOMAS. Yes; that selling agreement.

Mr. HINDS. Did that company sign that agreement?

Mr. THOMAS. I think that it was in existence a short time, as I testified before. For how long I can not tell you. It was abrogated in 1906, and I think Mr. Havemeyer felt that the agreement was a perfectly legal one. and the parties representing the American Beet Sugar Co. thought there was some doubt about it, and wanted to abrogate it.

Mr. HINDS. That was the agreement where Mr. MacVeagh told Mr. Oxnard, or one of Mr. Oxnard's representatives, that if he did not abrogate it he would be liable to go to prison?

Mr. THOMAS. I heard that here this morning.

Mr. HINDS. Yes; I remember that testimony now. That was Wayne MacVeagh, and not the present Secretary?

Mr. THOMAS. I think Mr. Oxnard can tell you.

Mr. JACOWAY. That is correct.

Mr. HINDS. That is in the testimony, I think. It had slipped my mind. and I was merely refreshing my own memory.

So that the selling out of that $7,500,000——

Mr. FULLER (interposing). No; $4,000,000.

Mr. HINDS. Yes; $4,000,000. The selling out of that $4,000,000, which took place before Mr. Havemeyer's death, represented no definite policy of retiring from the beet-sugar field?

Mr. THOMAS. No; I do not know what was in his mind, of course; but I should say not.

Mr. HINDS. The reason I said the $7,500,000 is that it seems it was alleged in the Government petition that the American Sugar Refining Co. at one time acquired $7,500,000 of the capital stock of the American Beet Sugar Co.

Mr. FULLER. Yes, sir.

Mr. HINDS. You disposed of $4,500,000?

Mr. FULLER. No; of $4,000,000, and then we sold after that $3,480,000.

Mr. HINDS. Altogether it amounted to $7,500,000?

Mr. THOMAS. All of it did.

Mr. FULLER. After Mr. Havemeyer's death, they sold $3,480,000.

Mr. HINDS. That $4,000,000 which you sold before his death does not represent in any sense a determination to retire from the beet-sugar field?

Mr. THOMAS. Of course I do not know his purpose; I can not tell.

Mr. HINDS. You would not draw any such inference from the fact?

Mr. THOMAS. Not necessarily.

Mr. HINDS. How about your later sales that you have made recently?

Mr. THOMAS. We had a desire to distribute our holdings of beet-sugar stock. We felt it was a wise and politic thing to do.

The CHAIRMAN. The hour of recess has arrived and we will reassemble at 2 o'clock, and when we reassemble we will continue the examination of Mr. Thomas by Mr. Hinds.

(Thereupon, at 1 o'clock p. m., the committee took a recess until 2 o'clock p. m.)

AFTER RECESS.

The committee reassembled, pursuant to the recess, at 2 o'clock p. m.

The CHAIRMAN. The committee will come to order. Mr. Hinds, who was examining Mr. Thomas, has not come in, and Judge Raker has one or two questions which he omitted to ask you yesterday. Until Mr. Hinds returns he will examine you.

TESTIMONY OF MR. WASHINGTON B. THOMAS—Continued.

Mr. RAKER. I see by the minutes that you were elected on May 19, 1893, as the manager of the Boston refinery.

Mr. THOMAS. 1893, yes; that is correct, if it is in the minutes to that effect.

Mr. RAKER. Then following that, in the same year, you took the position of your father for awhile, as a member of the board of directors?

Mr. THOMAS. Well, yes. My brother came in for a time, and I succeeded my brother.

Mr. RAKER. Have you any private business of your own?

Mr. THOMAS. No.

Mr. RAKER. Have you had any since your boyhood?

Mr. THOMAS. No; except the business in which I am now in.

Mr. RAKER. Just continuing the last question that I asked you last evening in regard to the San Francisco situation, a supposed case or a real case, as you may determine, being a man of wide experience and of wealth, and you were hunting a place of business, do you intend to tell the committee that if you went into a locality and you found a flour mill in operation, turning out, say, 6,000 barrels of flour a day, and you found another flour mill fully equipped and capable of turning out 6,000 barrels of flour a day standing idle, and the market supplied by virtue of various arrangements that the one mill could make—that is, bringing in flour from

other places if it were desired—do you mean to tell me now as a business man that you would start in to erect a million dollar flour mill in this supposed town?

Mr. THOMAS. I can not say what I would do under those conditions.

Mr. RAKER. I want to read to you an extract from page 73 of the minutes of the board of directors of the American Sugar Refining Co. In find this language:

The president reported, respecting refined sugars, that in order to maintain remunerative prices in the face of a decreased consumption it might be necessary to reduce the output of the refineries.

This is under date of August 26, 1901. You understand the language that I read?

Mr. THOMAS. Will you read it again, please?

Mr. RAKER. Yes; I will.

The president reported, respecting refined sugars, that in order to maintain remunerative prices in the face of a decreased consumption it might be necessary to reduce the output of the refineries.

Mr. THOMAS. May I ask if I was present at that meeting?

Mr. RAKER. I do not think so. I have read it to you, and I want to know whether you understand what that means?

Mr. THOMAS. It means the reduction——

Mr. RAKER (interposing). You need not tell me what it means.

Mr. THOMAS. Not being there, I do not know.

Mr. RAKER. You can read that language, can you not?

Mr. THOMAS. I understand——

Mr. RAKER (interposing). It is plain English.

Mr. THOMAS. Yes.

Mr. RAKER. And by the reading of it you understand its purport, and you can say yes or no to that question.

Mr. THOMAS. I understand what you have read.

Mr. RAKER. And you understand the meaning of that, do you not?

Mr. THOMAS. Well, I understand what you have read.

Mr. RAKER. You understand the meaning of it?

Mr. THOMAS. Well, I do not know the application of it; I was not present.

Mr. RAKER. I did not ask you whether you were present.

Mr. THOMAS. I do not know. If I was not present I do not know how I can tell you.

Mr. RAKER. Well, suppose you picked up a book here and read a sentence from it, a complete sentence; after reading it you would have a general idea of what it meant, would you not?

Mr. THOMAS. I think I would understand better if I would know the discussion about it.

Mr. CRAWFORD. That was 1891, not 1901.

The CHAIRMAN. What is the date of it?

Mr. RAKER. Yes, 1891; that is right.

Mr. CRAWFORD. Two years before he went on the board.

Mr. RAKER. I do not care about that. That is not the purport of it and is not intended to be the purport of it. I read that language to him and asked him whether he understands the English of it and what it means.

Mr. THOMAS. I do not understand its application, then, at that time.

Mr. RAKER. You take it and read it. I want to dwell on it a little bit. Read it to yourself.

Mr. THOMAS (after reading paragraph referred to). I understand that.

Mr. RAKER. You understand it? Very well. Now, can you tell me where I can find in the minutes of the American Sugar Refining Co. a change of that policy?

Mr. THOMAS. I can not.

Mr. RAKER. Did they ever change it while you were a member of the board?

Mr. THOMAS. Well, I do not think they followed that by any means.

Mr. RAKER. You understand my question, do you not?

Mr. THOMAS. I can not tell you.

Mr. RAKER. You understand my question?

Mr. THOMAS. I do not think I thoroughly do.

Mr. RAKER. Very well. You said you understood this language that I have read?

Mr. THOMAS. Yes.

Mr. RAKER. Now, understanding it, to your knowledge, while you were a member of the board of directors, did they ever discuss that question and change this language that I have read to you?

Mr. THOMAS. I never knew that they discussed that at all or changed the language or followed that.

Mr. RAKER. But they did not follow it?

Mr. THOMAS. I do not know anything about it.

Mr. RAKER. Then, the intention of your answer is that so far as you are concerned this subject is a perfect blank?

Mr. THOMAS. As far as I remember now, that whole thing is a blank.

Mr. RAKER. Your mind is a blank upon this subject; is that what you mean to tell the committee?

Mr. THOMAS. Upon that, undoubtedly, that is true.

Mr. RAKER. If it had been taken up and discussed, you would have remembered it, would you not?

Mr. THOMAS. I can not say as to that. If I had been present, I might have remembered.

Mr. RAKER. Then, you can not remember anything unless you have been present, even if the same thing was discussed when you were a member of the board?

Mr. THOMAS. I think it more likely that I would remember things if I were present than if I were not.

Mr. RAKER. When an entry is found in the minutes and you are shown that entry, you pretend to say just because you were not present when it was made in the minutes that you do not remember whether or not that policy was changed or followed?

Mr. THOMAS. It depends upon the particular instance.

Mr. RAKER. An instance of this kind was of so little importance that it did not impress you; is that right?

Mr. THOMAS. That is right; I do not remember anything about it.

Mr. RAKER. At a meeting of the directors of the American Sugar Refining Co. held on September 6, 1892, at 2.30 p. m., at 117 Wall Street, New York, I find the following. There is a mark in the book

and then a star, and then dropping down to another place is a star, indicating that it belongs in that place, at which place is this language:

The president having referred to the necessity of protecting the company and its interests from injurious litigation and from other hurtful action and to appeals by each of the political parties for campaign expenses, it was resolved (vide resolution as authenticated by the secretary).

Do you know what that means?

Mr. THOMAS. I was not a director at that time.

Mr. RAKER. I did not ask you that. I asked you as plainly as I can form language whether you know what that means?

Mr. THOMAS. I do not know what it means.

Mr. RAKER. You have no conception of its meaning?

Mr. THOMAS. No; I have not. I do not know what it refers to.

Mr. RAKER. Do you intend to give me that answer, that you do not know to what it refers?

Mr. THOMAS. I do.

Mr. RAKER. Let me read it to you again:

The president having referred to the necessity of protecting the company and its interests from injurious litigation and from other hurtful action and to appeals by each of the political parties for campaign expenses, it was resolved.

You do not have any conception of what that language means?

Mr. THOMAS. I have no conception of what that refers to.

Mr. RAKER. Did you ever see this resolution before?

Mr. THOMAS. I do not remember it.

Mr. RAKER. You do not remember whether you ever saw it before?

Mr. THOMAS. No; I do not remember whether I saw it.

Mr. RAKER. Mr. Thomas, I understood from you at the beginning of your examination, and I made it plain to myself, and I am satisfied the committee understood it, that you are a graduate of a very respectable American institution of learning, did I not?

Mr. THOMAS. I am; that is correct.

Mr. RAKER. And you have a very good conception of the English language, have you not?

Mr. THOMAS. I suppose an ordinary conception.

Mr. RAKER. And yet notwithstanding that you say you do not know what this means or any of its words?

Mr. THOMAS. I do not know what that refers to. I was not a director at that time and not present.

Mr. RAKER. Well, has it been the policy of the American Sugar Refining Co. to look after these same matters, as referred to in this resolution, so as to protect its interests from injurious litigation and from other hurtful action?

Mr. THOMAS. Will you please repeat that?

(The stenographer repeated the question, as follows:)

Well, has it been the policy of the American Sugar Refining Co. to look after these same matters, as referred to in this resolution, so as to protect its interests from injurious litigation and from other hurtful action?

Mr. THOMAS. I can not answer that question.

The CHAIRMAN. Answer it so far as your knowledge goes.

Mr. THOMAS. I would like you to repeat that again, because I really did not catch it.

(The stenographer repeated the question, as follows:)

Well, has it been the policy of the American Sugar Refining Co. to look after these same matters, as referred to in this resolution, so as to protect its interests from injurious litigation and from other hurtful action?

Mr. THOMAS. Well, I do not really understand that resolution; I do not know what it means; so I can not tell whether it has been the policy or not.

The CHAIRMAN. Let me ask a question right there. I notice the minutes say, "It was resolved," and then there is a colon and the following words in brackets: "[vide resolution as authenticated by the secretary]." What has become of that resolution?

Mr. THOMAS. I have no idea.

The CHAIRMAN. Who would have charge of it?

Mr. THOMAS. The secretary, possibly.

The CHAIRMAN. Well, Mr. Heike was secretary at this time. No; Mr. Searles was secretary.

Mr. THOMAS. I do not know.

The CHAIRMAN. Searles was secretary, Heike succeeded him, and Mr. Freeman succeeded Mr. Heike, did he not?

Mr. THOMAS. Yes.

The CHAIRMAN. And Mr. Freeman ought to have the custody of that resolution if it has not been taken from the records of the company?

Mr. THOMAS. He probably has it.

The CHAIRMAN. Just make a note, Mr. Crawford, to get that resolution, as referred to in the minutes, and bring it here.

Mr. RAKER. That is all the explanation you can give me about this?

Mr. THOMAS. Yes.

Mr. RAKER. Whether this policy has been continued you do not know?

Mr. THOMAS. No.

Mr. RAKER. You know nothing about a change in this policy?

Mr. THOMAS. Not understanding that policy I can not tell.

Mr. RAKER. If this was the policy of the American Sugar Refining Co. in 1892 for the purpose of preventing injurious litigation and other harmful action, so far as you know it has never been changed?

Mr. THOMAS. Well, as I do not understand that resolution, I can not say whether it has changed that policy.

Mr. RAKER. You know what injurious litigation is?

Mr. THOMAS. It is perfectly blank to me.

Mr. RAKER. You know what injurious litigation is?

Mr. THOMAS. I have an idea.

Mr. RAKER. And other hurtful actions?

Mr. THOMAS. Well, I do not know what it means.

Mr. RAKER. And other hurtful action; you know what that language means?

Mr. THOMAS. Only in a general way.

Mr. RAKER. Well, in a general way, anything that would hurt or affect the American Sugar Refining Co.'s business; is not that right? Just assume it.

Mr. THOMAS. Well, I do not know; that might be inferred from that.

Mr. RAKER. Now, if that is the inference, that the company was contributing for the purpose of preventing those conditions in 1892, do you know whether or not since you have been a member of the board they have changed this policy?

Mr. THOMAS. I know nothing about it, because I do not understand that resolution.

The CHAIRMAN. If you could see the original resolution you might be able to tell?

Mr. THOMAS. If I could see the resolution?

The CHAIRMAN. Yes; the one referred to there.

Mr. THOMAS. Yes.

Mr. RAKER. You are not purposely not understanding these questions, are you?

Mr. THOMAS. Certainly not. I am trying to be as frank with you as possible.

Mr. RAKER. Under date of November 17, 10.30 o'clock a. m., and going back to the previous meeting—I would take it to be 1891—I find the following:

On motion of Mr. Dick it was resolved that the treasurer may, in his discretion, expend not to exceed $5,000 for special expenses which may be incurred by him.

Did you ever participate in another such resolution as that since you have been a member of the board?

Mr. THOMAS. Not to my recollection.

Mr. RAKER. You do not recollect participating in a meeting at which the treasurer was given an opportunity to expend four or five thousand dollars by a general resolution, without stating what it was for?

Mr. THOMAS. I do not recollect my doing so.

Mr. FULLER. Have you such a resolution since he was a member?

Mr. RAKER. Well, I can not tell the witness in advance what I am going to do.

Mr. FULLER. It strikes me that if you would tell him——

Mr. RAKER. I never did that in questioning a witness. I would like to have him tell me from his recollection. You know I am putting this up to you fairly.

Mr. THOMAS. Well, if I recollected it——

Mr. RAKER (interposing). But you do not recollect it?

Mr. THOMAS. No; I do not.

Mr. RAKER. Now, on page 90 of the minutes, under date of January 12, at 3 o'clock p. m.—and I would take it to be 1892—I find the following:

On motion the amount of expenditure by the treasurer authorized at the meeting of November 17 was increased to $6,200.

I am now asking you whether you, as a member of the board, participated in authorizing any lump sums—$5,000 or $8,000—to be expended by the treasurer, the treasurer to account by merely saying, "Money expended under resolution of the board"?

Mr. THOMAS. I do not remember.

Mr. RAKER. Have you ever, since you have been a member of the board, participated in any such resolutions?

Mr. THOMAS. I do not remember whether I did or not.

Mr. RAKER. Is it not a fact that while Mr. Havemeyer was a member of the board of directors and when anything was involved

in which he was interested that he told the members of the board that he was and he stepped out of the meeting and the members of the board took up the various matters and disposed of them in his absence?

Mr. THOMAS. I think he frequently did; I think the records show that.

Mr. RAKER. Well, then, those matters of vast importance, as it will appear from the minutes, at times were not domineered by Mr. Havemeyer, were they?

Mr. THOMAS. Well, you can see the records just to what extent——

Mr. RAKER (interposing). Oh, no, this is outside of the records. If he stepped out of the meeting of the board of directors and gave you full swing in matters of buying and handling property to the extent of, say, ten or twenty millions of dollars, it looks as though he was not controlling it very strongly, does it not?

Mr. THOMAS. Well, he might express his views but refuse to participate as a voter.

Mr. RAKER. Well, was his influence so great that his mind sort of oozed through the partitions and got into the committee room just the same and controlled the board of directors?

Mr. THOMAS. Well, I do not know; his influence was very strong, as I have tried to make clear.

Mr. RAKER. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Freeman, you will please bring us that resolution in the morning or be prepared to explain why you can not bring it.

Mr. FREEMAN. I will make a search for it.

Mr. HINDS. I think, Mr. Thomas, that when we concluded at noon you had said that about four millions of the beet-sugar stock was sold in Mr. Havemeyer's time because of some difference of opinion in the Western Beet Co.?

Mr. THOMAS. That was undoubtedly a part of the reason.

Mr. HINDS. Then when was the next sale of the three millions in that company?

Mr. THOMAS. Well, that extended over quite a little period.

Mr. HINDS. I see it is a listed stock on the market.

Mr. THOMAS. It is a listed stock.

Mr. HINDS. So you can sell it in small lots?

Mr. THOMAS. There is a market for it.

Mr. HINDS. Then that leaves about five millions more that you have sold in other companies?

Mr. THOMAS. I believe so.

Mr. HINDS. About what were the times of the sale of that five million?

Mr. CRAWFORD. You will find that is given on page 362 of the hearing.

Mr. HINDS. Then I will not trouble you further about that. What was the animating motive in the sale of the last lots?

Mr. THOMAS. Well, as we had sold so much of it, we thought we had better get out entirely from that company.

Mr. HINDS. I mean outside of that company.

Mr. THOMAS. Outside of the American Co.?

Mr. HINDS. Yes.

Mr. THOMAS. Well, we thought it was just as well to reduce our beet-sugar holdings, because we did not know what question might arise in connection with a suit for dissolution against the company, and we were getting in shape, if we could, to be prepared to reorganize, or do whatever might be deemed or found necessary.

Mr. HINDS. Have those sales of stock been made in those companies in which you held a half or a very large share, or in those in which you held a smaller amount?

Mr. THOMAS. Well, they have been in those in which we had the larger amounts, where there was any market for the stock; but there were some small companies where we had a large amount for whose stock there was no market.

Mr. HINDS. So that the conditions of sale have rather invited the sale in the larger companies where you had about one-half of the stock?

Mr. THOMAS. Yes; owing to the conditions.

Mr. HINDS. As I understand it, the danger of throwing yourself liable for unduly restraining trade in regard to holding those beet-sugar stocks has been an animating reason, has it?

Mr. THOMAS. Well, we thought it would be wise, public policy. We thought it was the wisest thing to do.

Mr. HINDS. That was one contributing reason?

Mr. THOMAS. Yes.

Mr. HINDS. A desire to avoid legal prosecution, or avoid grounds for it?

Mr. THOMAS. Yes; to avoid grounds for it, and we thought it was a wise and politic thing to do from every point of view.

Mr. HINDS. And another reason, you thought it wise to withdraw your holdings in beet-sugar companies so as to concentrate your efforts on the cane industry?

Mr. THOMAS. Well, that might be so. Of course, it would depend a good deal on what changes might take place in the tariff, and of course a large industry like ours should not be dependent upon one tariff. When I say one tariff, I mean a high tariff or a low tariff. We wish to be in a position so we can be fairly safe, no matter what tariff goes into effect, and that is one reason we have this interest in the beet-sugar business. I did not possibly quite clearly or emphatically enough call your attention to that. Of course, we are liable to these tariff changes and it undoubtedly was a wise thing, and may be still a wise thing, if it is perfectly proper and legal, that we should divide our interests between the eastern seaboard, the refining of cane sugars, and the beet-sugar business, so that in the event of tariff changes we should still be fairly safe.

Mr. HINDS. If keeping the tariff at its present state or raising it would hurt the cane-refining business, have you got interests enough in the beet-sugar industry so that you would recoup in any way by your beet holdings for such an injury to your cane industry; that is, if the continuation of a high tariff, as we will call it, is detrimental to your cane-refining business, but is good for your beet-sugar holdings, are your beet-sugar holdings large enough so that you would get a recompense there for the harm done you in your cane business?

Mr. THOMAS. I do not think we can tell that until we know what the tariff was.

Mr. HINDS. But, as I understand it, the major sentiment of your corporation at the present time is in favor of a lower tariff.

Mr. THOMAS. Well, I think possibly there are enough who are of an uncertain turn of mind that it is impossible to say that the entire board——

Mr. HINDS (interposing). Perhaps I inferred that somewhat from the attitude of the other cane refiners, and I perhaps assumed that your interest and theirs would be the same.

Mr. THOMAS. Of course, as they have no interest in the beet-sugar end of the business, their interest is probably absolutely in favor of a lower tariff.

Mr. HINDS. And so far as you are cane refiners, that is your interest?

Mr. THOMAS. So far as we are cane refiners, of course, it might be beneficial to us.

Mr. HINDS. And the brief filed by the American Sugar Refining Co. three years ago arguing for a retention of the duty then existing was caused by looking more closely to the beet-sugar side of it than the cane side of it, apparently, was it?

Mr. THOMAS. Well, I think possibly that is so; but I do not remember now.

Mr. HINDS. So, apparently, there has been a change of policy to some extent in the last three years?

Mr. THOMAS. There has been, undoubtedly, a little change.

Mr. HINDS. How long ago did the change in the management take place in the American Sugar Refining Co.?

Mr. THOMAS. It took place shortly after Mr. Havemeyer's death.

Mr. HINDS. What caused that change of management?

Mr. THOMAS. His death caused the change.

Mr. HINDS. What caused the election of Mr. Atkins? Why did they select Mr. Atkins for president and yourself for chairman of the board of directors?

Mr. THOMAS. Well, I had been connected with the company and they still wished to retain me in the board, and Mr. Atkins came from New England, as you know, which has such a large interest in the company, and he is quite familiar with the sugar business, having been a refiner for many years, and, being a man of very great business experience, it was thought that he would be a valuable addition to the board.

Mr. HINDS. That is, the stockholders in that part of the country found that they actually controlled the company and asserted their control in that way?

Mr. THOMAS. I know that the principal ones were very glad to have it that way.

Mr. HINDS. Did they pitch upon you as the son of the sea captain to carry out the old policy, or have you changed the old policy?

Mr. THOMAS. Well, I do not know. The policy has been changed in some respects. But I want it distinctly understood, Mr. Hinds, that by making any of these changes I want no reflection upon Mr. Havemeyer by implication.

Mr. HINDS. I do not know that it is a reflection upon a man to say that he ran the business like a sea captain, because sea captains are strong and able men; still, there is a great difference between running a great corporation, with the concurrence and information of the stockholders at the different stages of its business, and the other method of running it—without letting them know anything about it.

I am not disposed to ask any questions to reflect on Mr. Havemeyer, but I think we do have the right to know the principles and policies that govern an institution that controls so much of an article of necessity, and I do want to ask you what changes you have introduced in the management of that company?

Mr. THOMAS. I agree with you entirely, Mr. Hinds, and I am very glad to say that we, of course, principally adopted the policy of the greatest publicity consistent with the interests of the stockholders, giving them everything, as far as I know, that they want. We have hardly ever had a complaint of any kind or any criticism out of the 19,000 or 20,000 stockholders in regard to a lack of fullness in our reports. They are getting fuller, and we are going to go still further into details.

Mr. HINDS. How often are those reports published?

Mr. THOMAS. These reports are published yearly. You see our business is such a fluctuating one that if we gave out reports every quarter even, not to mention every month, the stockholders would be thrown into a state of panic one month and into a state of undue elation another month, so that the reports for their own interest, to my mind, should be given out only once a year. We have employed outside chartered accountants. We have established a most thorough system of accounting and uniform accounting at all of our offices. We are getting in younger men at the head of the different departments, and we are surrounding ourselves with those people whom we feel sure will devote themselves to the interests of the stockholders and in every way abide by the laws and meet the best public opinion in the departments over which they have control.

Mr. HINDS. Do you make as full reports as the Steel Trust has been making?

Mr. THOMAS. Not so elaborate.

Mr. HINDS. Your business is not so complicated, I suppose?

Mr. THOMAS. No; it is not nearly so widespread.

Mr. HINDS. You practically put forth only one brand of article?

Mr. THOMAS. Sugar, of course, in its various grades.

Mr. HINDS. In its various grades and forms?

Mr. THOMAS. Yes. I would like to say also that we are proposing—although it has not yet been put in force because we are studying various methods—to introduce a system of pensioning our employees; and we are trying to do everything in line with the best public opinion.

Mr. HINDS. You have stated all the changes you have made in the management?

Mr. THOMAS. They are all I think of now. Of course, there have been a great many changes in the personnel, and people have left us and new people have come in, so the personnel of the company has been greatly changed.

Mr. HINDS. Your capital stock is now $90,000,000?

Mr. THOMAS. Yes.

Mr. HINDS. Can you increase that amount at will without going to any governmental authority, like the State of New Jersey, under the laws of which you are incorporated?

Mr. THOMAS. I shall have to refer to my counsel here. I think the consent of the stockholders is necessary. I am informed we can only increase it for value.

Mr. FULLER. You can not issue stock for nothing. You can issue stock for value. In other words, they can increase the capital and thereby increase the capital stock.

Mr. HINDS. Could you issue stock to exchange for certificates of stock in other companies? That would be for value, would it not?

Mr. THOMAS. Upon a fair valuation, I am informed by counsel.

Mr. HINDS. What introduces that principle of fair valuation? Is there any such statute of New Jersey?

Mr. FULLER. Yes; the statutes of New Jersey provide for a fair valuation, but there is no criterion by which you can say what is fair and what is unfair, any more than you can say what is reasonable and what is unreasonable.

Mr. HINDS. In other words, you would be the judges of what was a fair valuation?

Mr. FULLER. Only so long as that judgment was exercised in a bona fide manner, and of course the ultimate decision would be with the court, if there was any ground to take it before the court.

Mr. HINDS. Now, Mr. Thomas, how many large cane-sugar refining businesses are there that are independent of you? Practically the Arbuckles and the Federal refineries are the two large ones?

Mr. THOMAS. We have a list of them here. The Arbuckle, the Federal, and Warner.

Mr. HINDS. Is Warner a large house?

Mr. THOMAS. Yes; Warner's is a large house, and they are increasing the capacity. There is also the Revere refinery in Boston.

Mr. HINDS. That concern is very small, is it not?

Mr. THOMAS. Yes. And also the National refinery.

Mr. HINDS. As to the National, there is now pending a suit at law to determine whether you do not already control it?

Mr. THOMAS. Yes; there is a question as to the legality of the common stock.

Mr. HINDS. So that when you have said the Arbuckle, the Federal, and the Warner, you have practically named all the important elements outside of your combination?

Mr. THOMAS. Except so far as the National refinery is a keen competitor. Then, of course, there is besides the National, the McCahan house in Philadelphia, and the Henderson refinery in New Orleans.

Mr. HINDS. The McCahan house is small, and Arbuckle and the Federal are your great competitors?

Mr. THOMAS. Yes; except I can not get it out of my mind that the National is too.

Mr. HINDS. What I was trying to arrive at was the facilities that you had in the future development of the sugar business of reasserting the old tendencies toward monopoly which characterized the trust in its earlier days. In other words, you have all the machinery at hand in case the situation should grow to be such that you would wish to compound with your competitors; have you not?

Mr. THOMAS. Well, I can hardly answer that. You take the case of the Warner refinery. That refinery is doubling its capacity, and I think all of these refineries are in good shape.

Mr. HINDS. If that competition is growing more severe, is there not going to be a strong temptation for you, as the largest and most influential factor, to go on with that process which was so effective for a time 25 years ago; that is, increase your capital stock and

exchange it for the capital stock of these companies that are competing with you?

Mr. THOMAS. I can not answer that question, Mr. Hinds.

Mr. HINDS. But will not that be an inevitable tendency, unless something prevents?

Mr. THOMAS. Well, I do not know. I do not know how the law stands in regard to that.

Mr. HINDS. You do not know what effect the decision of the court would have on it?

Mr. THOMAS. That might prevent any such thing, but I am not a lawyer, and so I am not prepared to say.

Mr. HINDS. I am not a lawyer, either. Probably, if I was, I would know without asking you. I guess, perhaps, I am pursuing a course which is like the blind trying to get leadership over the blind, and I think I will give place to some of the lawyers on the committee.

Mr. MADISON. Mr. Thomas, the control of the American Sugar Refining Co., as a matter of fact, has passed from New York to Boston, has it not?

Mr. THOMAS. Yes; as control of the stock is control of the company, that is correct.

Mr. MADISON. Sixty-three per cent of the stock is held in New England, and five of the members of the board of directors are from New England, are they not?

Mr. THOMAS. I think that is correct; yes.

Mr. MADISON. There is no other section of the country that has as many members on the board of directors as New England?

Mr. THOMAS. That is correct.

Mr. MADISON. So that the scepter has departed from Gotham to the Hub? That is a fact, is it not?

Mr. THOMAS. That is so.

Mr. MADISON. And to-day the American Sugar Refining Co. is dominated by New England men. You were at one time president of the company?

Mr. THOMAS. I was.

Mr. MADISON. You resigned as president?

Mr. THOMAS. I resigned as president.

Mr. MADISON. You were then elected as chairman of the board of directors?

Mr. THOMAS. I was.

Mr. MADISON. To-day there is no president of the American Sugar Refining Co., is there?

Mr. THOMAS. There is no president.

Mr. MADISON. The first vice president is Edwin F. Atkins, of Boston?

Mr. THOMAS. That is correct.

Mr. MADISON. And he is in fact the acting president and rather the dominating figure in the American Sugar Refining Co. to-day?

Mr. THOMAS. Well, he is very active, and I should say his position was largely executive.

Mr. MADISON. How is that?

Mr. THOMAS. His position is an executive position. I feel that I am in a good deal of an advisory position, and of course he is a very important factor in the administration of the company.

Mr. MADISON. He is the executive head?

Mr. THOMAS. Well, the executive offices are pretty well divided.

Mr. MADISON. But every organization has to have a head, and Mr. Atkins can truthfully be said to be the executive head of the American Sugar Refining Co. to-day, can he not? Is not that the fact? It not, say so. I just want to know the fact.

Mr. THOMAS. Well, I would like to say that he is as active as any one, and probably more active.

Mr. MADISON. There are to-day but two members of the old board of the Havemeyer régime on the board of directors of the American Sugar Refining Co.; that is true, is it not?

Mr. THOMAS. Yes; Mr. Frazier, of Philadelphia, and myself.

Mr. MADISON. And Mr. Frazier came in very late in the Havemeyer régime, did he not?

Mr. THOMAS. Yes. I do not remember what year. I think about the time I did, or possibly later.

Mr. MADISON. So that, as a matter of fact, of the old Havemeyer régime of any number of years standing you are the last one who is now a member of the board of directors?

Mr. THOMAS. I am the last one; yes.

Mr. MADISON. One of the reforms which has been accomplished since the death of Mr. Havemeyer has been the increase in the number of directors from 7 to 11?

Mr. THOMAS. Yes.

Mr. MADISON. Giving a larger directorate?

Mr. THOMAS. Yes.

Mr. MADISON. Mr. Havemeyer died on the 4th of December, 1907. Is it not true that immediately upon his death; that is, at the next meeting of the stockholders, which was held in January of the year following, you inaugurated your publicity plan?

Mr. THOMAS. Yes.

Mr. MADISON. You realized at that time that the policy Mr. Havemeyer had pursued of keeping to yourselves the information with regard to your company, being exclusive with regard to matters of that kind, was a mistake, and you changed it just as soon as you could, did you not?

Mr. THOMAS. I did.

Mr. MADISON. Now, do you say to us that, as a matter of fact, you are enlarging upon that?

Mr. THOMAS. I intend to, as far as, in my opinion, the interests of the stockholders will permit.

Mr. MADISON. Now, then, in reading the minutes of the board of directors—and I happened to be one of the subcommittee which our chairman designated to go over the minutes—I find some rather interesting facts. One was referred to by Judge Raker the other day, and that is, that there were but few stockholders who attended your stockholders' meetings. That is correct, is it not?

Mr. THOMAS. That is quite true, and it was very remarkable.

Mr. MADISON. Your policy was to nominate some one, and usually and always—except in case of the death of one of the old members—the same members to be reelected, and then you sent out your proxies to all the stockholders and asked them to send them in if they desired to reelect those persons, and they always did so, did they not?

Mr. THOMAS. They always did.

Mr. MADISON. They cooperated in retaining Mr. Havemeyer and the old organization at the head of the company?

Mr. THOMAS. They did.

Mr. MADISON. There never was a protest, in fact, was there?

Mr. THOMAS. Not to my knowledge.

Mr. MADISON. I could not find any protest entered on your minutes. Now, I understand that 96 per cent of your stockholders are located in New England and the Middle Atlantic States.

Mr. THOMAS. I suppose you get that from that statement?

Mr. MADISON. Yes; I am taking it from your published statement. Yet, so far as your stock ownership is concerned, it is scattered among all kinds and classes of people?

Mr. THOMAS. That is correct.

Mr. MADISON. An interesting fact was referred to, that perhaps one-half of your stockholders are women. It is also true that churches, religious organizations, foreign missionary boards, lodges and kindred associations, benevolent and charitable institutions are investors in your company?

Mr. THOMAS. I understand so from the secretary.

Mr. MADISON. And ministers of the gospel, and so forth?

Mr. THOMAS. I understand so from the secretary. The secretary made up that report, and I have no doubt it is correct.

Mr. MADISON. As long as the 7 per cent dividend rolled in, they unanimously sent in their proxies to continue the organization in power; that is true, is it not?

Mr. THOMAS. They sent them in. I do not know why they sent them in.

Mr. MADISON. Did you ever skip a dividend?

Mr. THOMAS. Not to my recollection.

Mr. MADISON. The 7 per cent dividend was always promptly sent out to them; that is true, is it not?

Mr. THOMAS. Yes.

Mr. MADISON. I mean the quarterly dividends were sent out to them promptly, and as a consequence your stock was very fascinating as an investment. Another thing I have noticed, and that is that practically each year you had a surplus, and that after paying your dividends you always carried your surplus into your working capital.

Mr. THOMAS. Yes; that is true.

Mr. MADISON. So that you were building up and strengthening your organization each year, and making sure the investment of your stockholders—that is correct, is it?

Mr. THOMAS. That is correct; yes.

Mr. MADISON. Mr. Hinds suggests this proposition: As a result of your policy, how much real value is to-day back of a share of stock in the American Sugar Refining Co. of the par value of $100?

Mr. THOMAS. $132.

Mr. MADISON. Common and preferred both?

Mr. THOMAS. Both; yes.

Mr. MADISON. And you paid 7 per cent on both the common and preferred?

Mr. THOMAS. Yes.

Mr. MADISON. Now, then, just between us and the gate post, there is not any question in the world but what in the original inception of the company in 1887, when the refineries at Boston, New York, and New Orleans were combined by Mr. Havemeyer into the Sugar Refineries Co., the original trust, that there was a good deal of water in the proposition?

Mr. THOMAS. There might have been at that time.

Mr. MADISON. Now, then, frankness, you know, commends itself to all, and you know, as a matter of fact, that at that time all those companies were capitalized for $6,500,000, and exchanged for $50,000,000, and while in some instances the capitalization of the original companies was nominal, yet you know, and would say to this committee, from your knowledge of the corporation and its history, that in its original inception there was a good deal of moisture in the stock.

Mr. THOMAS. Well, I do not know how much.

Mr. MATHEWSON. No; I do not think you do.

Mr. THOMAS. Because an appraisement of the value of the plant, you know, is a very difficult thing.

Mr. MATHEWSON. Certainly.

Mr. THOMAS. And there are a great many things that enter into it, and we may admit there was some water, but to say how much water I think would be a very difficult proposition for anybody.

Mr. MADISON. Now, you were with your father at the time, and it was a part of the plan to throw all these different refineries in together, increase their efficiency, make unnecessary the keeping up of a dozen managements, and all that sort of thing, eliminate ruinous competition, and they all figured that these combined properties would earn at least 7 per cent on $50,000,000 of stock, and therefore you could safely capitalize them for $50,000,000 without regard to the value of the property?

Mr. THOMAS. Of course, at that time——

Mr. MADISON (interposing). Now, that was the system of doing things at that time, and that was done in this case, was it not?

Mr. THOMAS. Well, of course, I had no share in the original organization.

Mr. MADISON. I know; but as a matter of history, is not that true?

Mr. THOMAS. What you say may be quite true.

Mr. MADISON. Well, do you not know?

Mr. THOMAS. I do not know it.

Mr. MADISON. Certainly not; but as a matter of history and tradition, handed down by your associates, you believe it, do you not?

Mr. THOMAS. Oh, I think it is probably true.

Mr. MADISON. Yes; I think so, too.

Mr. Thomas, as a matter of fact, from the very beginning of the trust arrangement—because originally it was a trust?

Mr. THOMAS. Yes.

Mr. MADISON. There was not any question about that?

Mr. THOMAS. No.

Mr. MADISON. There was not any Sherman antitrust law then?

Mr. THOMAS. No; it was a trust.

Mr. MADISON. And while it was in violation of the common law, it was not in violation of any national, and there is in no way any question about it being a trust, because there were trustees, who held the stock in trust and operated the property for the benefit of the trust.

But in 1891 the American Sugar Refining Co., a corporation of New Jersey, was organized, and the trust certificates were exchanged for the stock certificates of the new corporation?

Mr. THOMAS. That is true.

Mr. MADISON. From that time on, as a matter of fact, from the very inception, this combination which Mr. Havemeyer conceived and executed and brought into being was a profitable one, was it not?

Mr. THOMAS. Yes.

Mr. MADISON. From the very beginning?

Mr. THOMAS. Yes.

Mr. MADISON. Is it not a fact, and a very interesting one in American economics, that the American Sugar Refining Co. never issued a mortgage or a bond that was actually put in circulation?

Mr. THOMAS. Well, I do not know how unusual it is, but that applies to the case of the American Sugar Refining Co., I am free to say.

Mr. MADISON. It is a fact that the American Sugar Refining Co. from its very beginning never had a funded debt?

Mr. THOMAS. Some bonds were issued, but they were canceled.

Mr. MADISON. And never were floated?

Mr. THOMAS. Never.

Mr. MADISON. But the business was so prosperous and so managed from its very inception that, gigantic as it was, it never had a mortgage or a bond that was actually put in circulation among the people; that is true, is it not?

Mr. THOMAS. That is right.

Mr. MADISON. It was so prosperous there that in the early years of the organization you even issued greater dividends than 7 per cent, did you not?

Mr. THOMAS. There were some extra dividends; I do not remember what they were.

Mr. MADISON. Since that time your policy has been to put your money back into capital, rather than to issue dividends, until to-day, whatever there may have been of water in the original inception—and there was water in the purchase of the Philadelphia refinery—you exchanged, as a matter of fact, in order to get those men into the combination in 1892 and 1893 and along there, and you gave them more of your stock for their stock than fairly represented the value of their property, did you not?

Mr. THOMAS. I believe that is a matter of record as to the amount exchanged, but I do not know the valuation of those refineries.

Mr. MADISON. But my impression is that there was not much water in the last $15,000,000 that were issued. Is not that correct, as to the increase from $75,000,000 to $90,000,000?

Mr. THOMAS. That was issued for cash.

Mr. MADISON. That was actually issued for cash?

Mr. THOMAS. Yes.

Mr. MADISON. And was subscribed by your stockholders?

Mr. THOMAS. Yes.

Mr. MADISON. And the money brought in and put in, in dollars, in the treasury?

Mr. THOMAS. Yes.

Mr. MADISON. So there was not any water there?

Mr. THOMAS. No.

Mr. MADISON. I think there was in the $75,000,000, but whatever there was, do you know, and can you state that, as a matter of fact, to-day you have got $1.32 for every dollar of capitalization?

Mr. THOMAS. I think we can. I think our treasurer can give you that. He is more familiar and can explain it a little better than I can. I am not familiar with accounts to the extent I could elucidate to your satisfaction all you want to know.

Mr. MADISON. I want to ask you if you ever introduced the reform of lower salaries for your officers than what they used to be under the old régime?

Mr. THOMAS. I did so in my own case.

Mr. MADISON. Mr. Havemeyer got a salary of $100,000?

Mr. THOMAS. Yes.

Mr. MADISON. What do you get?

Mr. THOMAS. I get $25,000.

Mr. MADISON. What does Mr. Atkins get?

Mr. THOMAS. He gets nothing.

Mr. MADISON. What?

Mr. THOMAS. Nothing.

Mr. MADISON. Do you mean to tell me that a New England man is working for this corporation for nothing? That is a tax on my credulity that is awfully hard to stand. [Laughter.]

Mr. THOMAS. He is extremely fond of work. That is the only explanation I can give. I think he would rather work than do anything else; but it is perfectly true.

Mr. MADISON. Mr. Hinds, as a genuine Yankee, thinks that is a new phase of Yankeeism to him.

Mr. THOMAS. Mr. Atkins is a remarkable man.

Mr. MADISON. There was another thing I found in reading the minutes that I want to know whether you can confirm, and that is that while, in the purchase of the Philadelphia refineries and the absorption of them into the corporation, Mr. Havemeyer frankly stated the stock which he had bought, and which he was willing to turn over to the company in order to consummate the transaction, in order that the corporation might get the Philadelphia refineries—while he frankly stated that he would turn them over at a profit and that he expected to make money out of the deal, and you bought it at an advance, yet later, notwithstanding his profit, there, on motion of Mr. John E. Parsons, he was given the sum of $100,000 for his services in connection with that transaction. Do you remember that?

Mr. THOMAS. I was not a director at that time. I knew nothing about it.

Mr. MADISON. You know it as a historical fact, though?

Mr. THOMAS. I know nothing about it at all.

Mr. MADISON. The minutes show that was true; that he actually got $100,000 in payment for a transaction in which he had already benefited. I want to ask if anything of that kind is permitted under the new régime?

Mr. THOMAS. No.

Mr. MADISON. Nothing of that kind at all?

Mr. THOMAS. So far as I know.

Mr. MADISON. Can you say to us as a committee, interested now, perhaps, more in knowing what the conditions are to-day than what they were in the dim and musty past, that as a matter of fact you have absolutely cut out that kind of transactions from your business?

Mr. THOMAS. I think I can say so frankly, to the best of my knowledge and belief, and I think I certainly would know anything of that kind.

Mr. MADISON. Are your stockholders now alive to the situation—20,000 men and women scattered all over the world, but principally in New England and the middle Atlantic States—and they are interested in you and the work of the company and in what the company is doing, and in keeping in compliance with the laws of this country and of the States where it operates?

Mr. THOMAS. I think they are interested. I do not know how thoroughly they appreciate it.

Mr. MADISON. Tell the committee how they manifest it, if you know.

Mr. THOMAS. We receive letters of indorsement and approval, and we receive at the annual meeting always a very large number of proxies, and we receive no complaints, adverse criticism. That is a rather negative way of showing their appreciation, but that is the only way I know of.

Mr. MADISON. That is a good deal the same way, I am afraid, they showed it during the Havemeyer régime. I would be glad to know they are attending your stockholders' meetings.

Mr. THOMAS. We should be very glad to have them.

Mr. MADISON. But they do not come, as a matter of fact?

Mr. THOMAS. They do not come. Last year I do not know that we had more than five or six, a most extraordinary thing.

Mr. MADISON. You would say that after all the developments in connection with the customs fraud, and after the Pennsylvania sugar refining matter, and all that sort of thing, that these people, coming from all kinds and classes, some of them members of religious and fraternal and beneficial organizations—as a matter of fact only about five or six stockholders came to your meeting?

Mr. THOMAS. That is quite true.

Mr. MADISON. I can understand why—because there is another remarkable fact that I have gathered, and I want you to confirm it, if you will, and that is that the average holding of the stockholders of the American Sugar Refining Co. is very small?

Mr. THOMAS. About 40 shares to the individual, I think——

Mr. MADISON. Will it run that much?

Mr. FULLER. Forty-five shares.

Mr. THOMAS. About 45 shares, it is.

Mr. MADISON. That is the average for the individual?

Mr. THOMAS. Yes.

Mr. MADISON. So you have no great stockholders, no persons who hold great blocks of your stock?

Mr. THOMAS. That states the situation.

Mr. MADISON. That your average is about 45?

Mr. THOMAS. Yes.

Mr. MADISON. To the individual?

Mr. THOMAS. Yes.

Mr. MADISON. Did they write in to you and say anything about what they wanted done, about any reforms they wanted accomplished or changes made, or show any interest at the last meeting or the meeting before?

Mr. THOMAS. No; they did not.

Mr. MADISON. I notice at the first meeting of stockholders you had after the death of Mr. Havemeyer, C. Augustus Spreckels was present.

Mr. THOMAS. Yes; he was.

Mr. MADISON. Is Mr. Spreckels a stockholder of the American Sugar Refining Co.?

Mr. THOMAS. I do not know whether he is to-day or not.

Mr. MADISON. How much stock did he own at that time?

Mr. THOMAS. I can not tell you the amount. I think he had quite an amount.

Mr. MADISON. He did have quite an amount?

Mr. THOMAS. I think so.

Mr. MADISON. On the 1st of January, 1908?

Mr. THOMAS. Yes; he appeared there.

Mr. MADISON. And he attended the stockholders' meeting?

Mr. THOMAS. He did.

Mr. MADISON. Has he ever attended any since then?

Mr. THOMAS. Not that I am aware of.

Mr. MADISON. He never has come near your meetings since that time?

Mr. THOMAS. No; I think not.

Mr. MADISON. Do you know whether he has any interest in the company at this time or not?

Mr. THOMAS. No; I do not.

Mr. MADISON. Young Horace Havemeyer, at the meeting of our committee in Washington, stated that he had a very great desire to get hold of the National Sugar Refining Co.; that he wanted to get it and make a career for himself; and that he would like to get hold of that company and go into active competition with your people. You read that testimony, of course?

Mr. THOMAS. Yes; I saw that testimony.

Mr. MADISON. You are not desirous that he should obtain control?

Mr. THOMAS. I do not care whether he does or not.

Mr. MADISON. He holds, or represents, as one of the executors of his father's estate, a good per cent of that beet-sugar stock?

Mr. THOMAS. I understand he does; yes.

Mr. MADISON. If a warfare arose between you and him, what would be the result with regard to your control or your operation in harmony in connection with the beet-sugar stock?

Mr. THOMAS. I have no idea what would happen.

Mr. MADISON. Are you interested in that proposition?

Mr. THOMAS. In what way do you mean?

Mr. MADISON. When the matter of control of beet sugar is brought up—you have your money in there?

Mr. THOMAS. Yes.

Mr. MADISON. But are you desirous of in any wise controlling the beet-sugar companies in their operations?

Mr. THOMAS. We do not want to exercise any control over them.

Mr. MADISON. You have voted the stock at the annual meetings?

Mr. THOMAS. We vote our stock.

Mr. MADISON. And are present in the meetings?

Mr. THOMAS. We send the proxies to the secretary to be voted.

Mr. MADISON. The statement made by some member of the committee, of course, appeals with force to any intelligent man, and

that is that the concentration of 49 per cent of the stock would be bound to be productive of great results. Have you ever attempted to exercise that?

Mr. THOMAS. No.

Mr. MADISON. In no way?

Mr. THOMAS. No.

Mr. MADISON. You say you are trying to get out of the beet-sugar business?

Mr. THOMAS. I will not say get out of it entirely. I would say to reduce.

Mr. MADISON. Is it not a fact that in the first part of this year, no later than the first part of this year, your board of directors voted that you would not sell and did not desire to sell the preferred stock of the beet-sugar companies?

Mr. THOMAS. It seems to me that is correct.

Mr. MADISON. I do not care to take up the time to refer to it, but, as a matter of fact, the record shows that way?

Mr. THOMAS. Yes, that is all right; I will accept your statement.

Mr. MADISON. You have been selling the common stock?

Mr. THOMAS. Yes.

Mr. MADISON. But you have not been selling the preferred stock?

Mr. THOMAS. I think no preferred stock was sold.

Mr. FULLER. Yes; we sold some.

Mr. THOMAS. We sold some of the Great Western in order to distribute that stock.

Mr. MADISON. But is it not a fact also you tried to sell 7,000 shares of the Michigan—I am quoting your minutes which I read last night as a result of my service on this subcommittee—at par, and could not sell it, and that you are now offering to sell 1.000 shares at 75?

Mr. THOMAS. I think that is correct; yes.

Mr. MADISON. I also read another very remarkable thing in these records, and it is the most interesting reading I have struck for a long time. It was Mr. Havemeyer's report, or his little speech, that he made each meeting to the stockholders when they would meet. You said Mr. Havemeyer, you thought, because of his interest in beet sugar, was in fact in favor of a tariff on sugar?

Mr. THOMAS. Is that in the testimony? Did I say that?

Mr. MADISON. I understood you to say that, and that you felt, in November, 1908, when your people appeared before the Ways and Means Committee, the year after his death, and declared in favor of a duty, that, as a matter of fact, you were carrying out his ideas?

Mr. THOMAS. We were in favor of no change in the tariff.

Mr. MADISON. And you had the idea that was his position?

Mr. THOMAS. Yes; it was at that time, I think, before he died.

Mr. MADISON. I will read it. This is from the minutes of 1902, the stockholders' meeting, and is very illuminating as giving Mr. Havemeyer's idea on the tariff question, and is taken from his talk to the board of directors. The minutes read as follows:

It would seem that with an overflowing Federal Treasury there had disappeared any reason for continuing the existing high tariff upon raw sugar. It constitutes a charge upon consumption of nearly 2 cents a pound. This represents, on an annual consumption of 2,360,000 tons, $85,000,000 a year. Of this, however, only 1,360,000 tons are imported, yielding customs revenue of

$49,000,000. The balance, $36,000,000, goes into the pockets of the planters of the following States, as follows:

	Tons.	Amount.
Louisiana planters	350,000	$12,600,000
Domestic beet	150,000	5,400,000
Hawaii	350,000	12,600,000
Porto Rico	150,000	5,400,000

A removal of this duty on raw sugar would result in a saving to the consumer of $85,000,000.

Misleading statements are constantly being made about the benefit to the company of reducing the present high rate of duty. The gain would be in increased sales. The lower the price at which the refined sugar can be furnished, the larger is the number within whose reach it can be brought. To this extent there would be a gain to the company. But the substantial benefit from the remission or reduction of the duty would be to the consumer, and the practical question is whether the public shall continue to pay the enormous amount which the duty requires for the benefit of favored industries, which, according to published statements by those who are interested, do not require the protection.

That seems to have been his view at that time. Did you hear him make that statement?

Mr. THOMAS. No. That was in 1902?

Mr. MADISON. Yes.

Mr. THOMAS. Was I present at that meeting?

Mr. MADISON. I do not know whether you were or not.

Mr. THOMAS. I did not know but it might be a matter of record.

Mr. MADISON. I want to pursue this a little further on his views on beet sugar.

Mr. THOMAS. I do not seem to remember that.

The CHAIRMAN. Was that before he invested in beet sugar?

Mr. MADISON. No; he was beginning to invest in beet sugar as early as 1902. I want to follow the matter along a little bit further. He said "sugar is a necessity of life."

After he had made this speech, and you had voted on the election of directors, then somebody asked him to make an additional statement, and he said:

Sugar is a necessity of life. Were the duty on raw sugar removed the price of refined would permit of its being used by the poorest people. The people are beginning to characterize the tax on sugar as a hunger tax. This is no doubt due to the fact that a surplus exists in the Treasury, and no reason for a tax on an article of food. The removal of the tax would be a great blessing to the entire community.

As far as the beet industry is concerned, the farmers have received no more for their beets since the tax was reimposed than when sugar was free, in the years 1891, 1892, and 1893.

What Mr. Oxnard says is of little account. What Mr. William Bayard Cutting attaches his signature to is of account. He has stated over his signature that the beet industry is profitable under conditions of absolute free trade, and that the United States being an agricultural country, the industry has nothing to fear, even from the annexation of Cuba.

During the years 1891, 1892, and 1893 sugar was made free by the Republican Party, then in power. It was reimposed to meet financial necessity of the Government, being a sure revenue getter of $50 000,000. An effort has since been made to tax coffee, likewise an article of food. This attempt was scouted and failed. The tax on tea is not for the purpose of revenue, but a means of protecting the poorer people from deleterious and poisonous cheap teas. There is no reason for the continuance of the tax on raw sugar, and the hope is that it will be removed.

Later, in 1903, when you met again, you were on the board, were you not?

Mr. THOMAS. Yes. I do not know what part of the year I came in.

The CHAIRMAN. You came in in 1893, did you not?

Mr. THOMAS. Yes.

Mr. MADISON. This is in 1903, and you were on the board in 1903. Mr. Havemeyer said then:

The president is able to report to the stockholders that during the past year business conditions relating both to the purchase of raw and the sale of refined have been reasonably satisfactory.

Then he refers to the low price, and then says:

I refer to the matter particularly at this time because of proposed legislation, the professed object of which is to regulate the business done by corporations as against that which is done by individuals. Any such legislation overlooks the fact that a corporation is an aggregation of individuals. We have 11,274 stockholders. Every stockholder is interested in the conduct of the business.

Then he refers to the low prices. He then proceeds:

The low prices leads to increased consumption and enables the business to be done at the lowest possible margin. The natural increase of consumption, year by year, may be stated to be 4.75 per cent. During the last year the increase was 8.17 per cent. This must be attributed to the reduction in price brought about by the combination.

Did you ever hear him express that view?

Mr. THOMAS. If I was present at that stockholders' meeting, I undoubtedly did.

Mr. MADISON. His idea was that the combination made it possible to reduce the price?

Mr. THOMAS. Yes; I think that he had that idea. Of course, that is knowing his own mind.

Mr. MADISON. He proceeded further as follows:

It is only by keeping the price down that competition can be met. And if our legislators would inform themselves of the situation they would learn that in our industry there is no such thing as preventing competition and the building of new refineries.

The above makes it impossible to understand what reasonable motive there can be for much of the so-called antitrust legislation. The consumer is certainly benefited by the low price. Interference with the operation of natural laws leads to an increase of price, and although this may not benefit the manufacturer it certainly can not help the consumer. Apparently it is solicitude for stockholders to which is due the proposed legislation. Our stockholders have heretofore shown confidence in the management in a way which can not but afford gratification. They continue to do so. There is no law which compels them—and the same is true of all corporations—to buy or retain stock. It would seem that it would be time enough to interfere in their interest when the stockholders made the request.

Our company has heretofore given such information to stockholders as they, as a body, have asked for. It has conformed to the action heretofore taken at annual meetings that special information shall not be given to individual stockholders. This recognizes that business which is to be done by corporations in competition with individuals can not satisfactorily be done if the individual may withhold all information about his business and the corporation shall be compelled to make public information about its business. Unless instructed otherwise, the company will adhere to the policy which it has heretofore pursued of doing business at a minimum of margin, relying for its profits upon enlarged consumption.

That policy was constantly adhered to, and that is, that the individual stockholder, under Mr. Havemeyer's régime, could not get information with regard to the company?

Mr. THOMAS. According to that, yes; I am of that opinion.

Mr. MADISON. And you gentlemen also voted each time at the meeting of your stockholders to approve his action in that regard, specifically saying that no information should be given to the individual stockholder, but that information asked for by the stockholders as a body, which was impossible, of course, would be freely given?

Mr. THOMAS. I believe that is correct.

Mr. MADISON. That is in the minutes, as a matter of fact, that that is the way in which you transacted business.

Mr. THOMAS. That is correct.

Mr. MADISON. I find that, as a matter of fact, in the first years of the corporation they published pretty full statements of the financial condition and situation of the company. Afterwards that was entirely abandoned. Are you, as a matter of fact, to-day publishing full statements with regard to your financial conditions to your stockholders and to the public at large so that anybody can know what your situation is in a financial way?

Mr. THOMAS. I think so. We intend to do it, anyway.

Mr. MADISON. You are interested out on the Pacific coast, are you not?

Mr. THOMAS. In the western refining, but I am not familiar with the local situation there.

Mr. MADISON. Early in the history of this organization Mr. Havemeyer went out to the coast there and built a refinery, did he not?

Mr. THOMAS. I think not. I do not remember that.

Mr. MADISON. He purchased a refinery, or built one?

Mr. THOMAS. He took an interest.

Mr. MADISON. And went into competition with Claus Spreckels, the old Claus Spreckels, out there, did he not?

Mr. THOMAS. I can not tell you that.

Mr. MADISON. You do not know anything about it?

Mr. THOMAS. No.

Mr. MADISON. You do not know the history of that?

Mr. THOMAS. No; I do not know the history of that.

Mr. MADISON. You have a one-half interest in that western refinery?

Mr. THOMAS. Yes.

Mr. MADISON. You have also an interest in John and Adolph's beet-sugar business?

Mr. THOMAS. Yes.

Mr. MADISON. So that you are largely interested out there on the Pacific coast?

Mr. THOMAS. We are interested to that extent.

Mr. MADISON. If this suit over here in New Jersey should be won—and perhaps I have not any right to express an opinion, but it looks to me that it is inevitably that way——

Mr. THOMAS (interposing). Won how?

Mr. MADISON. Oh, that that $10,000,000 of stock, which was an awful steal, will certainly be canceled. The evidence before us shows that it was, as a matter of fact, an awful perpetration of an outrage.

In that event the American Sugar Refining Co. will come in control of that company, will it not?

Mr. THOMAS. Of the National?

Mr. MADISON. Yes.

Mr. THOMAS. Owning a little more than one-half of the preferred stock; yes, we would.

Mr. MADISON. The preferred stock has a voting power, as I understand it, and, as a matter of fact, you would then be the potential owners of the National Sugar Refining Co., would you not?

Mr. THOMAS. I suppose so, unless we sold some of that preferred stock before.

Mr. MADISON. To-day you produce over 42 per cent of the sugar that is consumed in America; the National produces 10 per cent. That would give you 52 per cent. Then, you are interested in beet sugar. You have a very potential interest out there on the Pacific coast. There is no question about that. The Western Sugar Refining Co. is a close corporation, and it is owned by your company and by two men—John and Adolph Spreckels. You are also interested with them in the largest beet-sugar factory in all the world. They have it, and you have an interest in it there on that coast.

With that situation, if you get possession of the National Sugar Refining Co., you are going to be in a situation to absolutely dominate the sugar business of this country. It is inevitable, and an analysis leads to but one thought. Arbuckles produce about 1,000,000 barrels of sugar, do they not?

Mr. THOMAS. I do not know what it is. It is a matter of record here.

Mr. GARRETT. 7,500 barrels is their daily capacity?

Mr. THOMAS. 1,900,000 barrels, I believe, a year.

Mr. MADISON. I have it here, according to your statement, that the National turns out only 2,000,000 barrels a year and you turned out last year almost 9,000,000 barrels. The others are insignificant and they are not united; they are scattered. They would be fighting among themselves—I do not think any of you are fighting, as a matter of fact, but if you get the National, then see what there is that we have: If you get the National you would produce 11,000,000 barrels of sugar in a year. There would be to oppose you McCahan, with only 600,000 barrels, standing alone; Arbuckles, 750,000 barrels, standing alone; Federal, 600,000 barrels, standing alone; Warner, 450,000 barrels, standing alone. They are not a unit; they are scattered. They are not concentrated. They can not concentrate their effort against you unless they shall unite. There is a wonderfully economic situation that is going to be presented in this country and a great responsibility therefor resting on you people as to what you will do.

Mr. THOMAS. We are aware of it. Will you allow me to say one word? I do not know how long it would take before that suit is settled, but competition is increasing pretty rapidly in this country, so rapidly that the suggestion of the proportion of the business that we would have is, I think, largely a matter of speculation, because the number of beet factories being built is considerable——

Mr. MADISON (interposing). Let me correct you there. With the present menace that our friends in control of the House of Representatives present—the club they have out for sugar duty—and I am not commenting on that as to whether they are right or wrong—the people that are putting money into the beet industry are about as scarce as the traditional hen's teeth, are they not?

Mr. THOMAS. I do not know. I think there are some new beet-sugar refineries, if not building, at least proposed. Then, also, I would like to say that here is the Warner refinery, which is enlarging materially, doubling their capacity, and by the time this suit is settled it is very possible that another refinery will be built.

Mr. MADISON. Do you not think, under those circumstances, if you have given the matter any thought, that while there is a responsibility on you, there is a greater one on the Government of the United States to reach out and exercise an absolute potential control that will stand between such a formidable organization as you are bound to be if you get the National and the people of the United States who consume that product?

Mr. THOMAS. That is such a large and important question that I do not feel able to express an opinion.

Mr. MADISON. You have never thought about it?

Mr. THOMAS. It depends on whose hands these large organizations are in whether their power is abused or not.

Mr. MADISON. I think I am through, Mr. Chairman. I think the ground has been very thoroughly covered, and I do not want to consume any further time.

The CHAIRMAN. I have just one or two questions that have been suggested necessarily by the testimony. Please give me the extent of your holdings in the American Sugar Refinery.

Mr. THOMAS. Can I do that without giving you the exact figure? It is quite a large interest. Will that answer your purpose, if I say it is a substantial interest?

The CHAIRMAN. Have you any objection to giving the committee the information substantially in figures?

Mr. THOMAS. I would rather not give it in figures, but I should say a substantial interest, and that I am a large stockholder, as is my family.

The CHAIRMAN. I believe that will serve my purpose, unless some member of the committee desires it more exactly.

Mr. FULLER. May the witness tell the committee, without making the matter public? He has naturally some hesitation in saying how much property he has. He said this is his business, and that he is interested in no other business and he has no personal business.

The CHAIRMAN. I will tell you why the committee is entitled to know, as I view it. In the first place, the contention was made by this witness that this company is really held by a lot of individual stockholders, with very small holdings. The impression has gone out, and has been made upon my mind by the statement of the witness, that there are really no very large stockholders and I want to see whether there are or not.

Are you the biggest stockholder in the company?

Mr. THOMAS. Myself and my family, so far as I know.

The CHAIRMAN. Do you hold a large part of the original holdings that your father took in this thing?

Mr. THOMAS. I can not tell what proportion—a considerable proportion.

The CHAIRMAN. Have you got most of the stock your father took?

Mr. THOMAS. Yes: I think so. But I am not sure. As I told you, I could not verify how much until I investigate.

The CHAIRMAN. It is material, too, but from another standpoint, I think. It will throw some light on how much was realized from your father's business.

Mr. FULLER. He will give the exact figures there.

Mr. THOMAS. Can I not send them to you, after I look them up, because I can not tell what it is now.

The CHAIRMAN. Gentlemen of the committee, I am asking what the witness now holds and what his holdings are in the American Sugar Refining Co., and he insists, if he tells me it is substantial, that should serve every purpose we ought to have in this investigation.

Mr. MADISON. I think we ought to know. I feel that we ought to know whether or not it is true that there are no great stockholders. I am not assuming that it is true or is not true, but I think we ought to be enabled to learn that clearly.

Mr. FULLER. He is willing to tell you, for instance, between certain amounts; that it is less than a certain amount, and more than a certain other amount, and that he is a large stockholder.

The CHAIRMAN. Approximately, what is the amount?

Mr. THOMAS. I will have to look it up and give it to you. I would rather give it to you correctly than not. If you will let me do that, I will give it to you.

The CHAIRMAN. You can approximate it now.

Mr. THOMAS. I can not approximate it now.

The CHAIRMAN. You can not tell within a million dollars of what it is?

Mr. FULLER. What your own holdings are?

Mr. THOMAS. I can not, very well. I would rather not mislead you. I will get the exact figures for you, and give you the information which you desire.

The CHAIRMAN. Include in that also the holdings of yourself and family—I mean by that the different heirs of your father's estate. We will let it go now, but before the hearing is over we want to know the exact figures.

Mr. RAKER. Do I understand that we will not get a statement from the witness under oath as to what it is?

The CHAIRMAN. I would hate to bring the witness back; but, of course, if the witness can not answer, we can not make him tell what he says he can not tell.

Mr. RAKER. But I do not think he quite understands you. I think he can come within $100,000 of his and his family's holdings.

The CHAIRMAN. I do not know whether he can or not.

Mr. HINDS. Would not it be sufficient if the witness states that he has kept his holdings continuously, and whether it is still practically the large holdings he had when the trust was organized?

Mr. FULLER. The witness can tell you approximately.

The CHAIRMAN. Let him tell that, and he can correct it if he makes a mistake.

Mr. THOMAS. I should say about 3,000 shares of my own.

The CHAIRMAN. And give us the amount in your family, too, that came from your father's estate, owned by your brothers and sisters.

Mr. THOMAS. Approximately, between 15,000 and 20,000 shares.

The CHAIRMAN. In all?

Mr. THOMAS. Yes.

The CHAIRMAN. For your family?

Mr. THOMAS. Yes; for my family.

The CHAIRMAN. At $131 a share, the market value of it to-day——

Mr. FULLER (interposing). No; the market value is only about 120 to 125 now.

Mr. RAKER. He said awhile ago about 130.

Mr. FULLER. That is the book value.

Mr. RAKER. The market value is how much?

Mr. FULLER. About 120. That makes $2,000,000—between $1,500,000 and $2,000,000.

The CHAIRMAN. Here is the reason why I want these figures as nearly precise in your case as possible, and why I want you to correct it if you have made a mistake: I want to know whether or not your father's interest in the Sugar Refineries Co., which was finally merged into the American Sugar Refining Co., has been kept practically intact?

Mr. THOMAS. Substantially, I take it.

The CHAIRMAN. Because it would then throw some light on how much he got for this plant of his in Boston which he put into the trust.

Mr. THOMAS. I hope to get that for you.

The CHAIRMAN. I want to go over one or two other points. I notice that in December, 1901, the board of directors of the American Sugar Refining Co. appointed a committee, consisting of Henry O. Havemeyer, Washington B. Thomas, Lowell M. Palmer, and Arthur Donner "as a committee with power and authority to purchase and acquire for it a controlling interest in all beet-sugar companies that might then or thereafter engage in business in the United States, and to take charge of the management of such companies as and when the control thereof should be acquired."

Did you serve on that committee known as the "beet-sugar committee?"

Mr. THOMAS. I did not know I was on that committee until I saw it in the Government's bill. I do not think they ever acted as a committee.

The CHAIRMAN. In other words, were you appointed upon an important committee like that during Mr. Havemeyer's régime, to acquire the great beet-sugar industry of the country, and did not ever know you were on the committee until the Government's bill was out?

Mr. THOMAS. I did not even know I was on that committee. I think I testified before that Mr. Havemeyer sent out himself and got the information in regard to these properties, and then reported on them, and we followed his advice.

The CHAIRMAN. Did you render any service as a member of that committee?

Mr. THOMAS. I am not sure whether I did or not.

The CHAIRMAN. Could not you recall it if you served on such a committee?

Mr. THOMAS. I do not know that I could now.

The CHAIRMAN. Did you ever sign a report for such a committee in your life?

Mr. THOMAS. Not to my knowledge.

The CHAIRMAN. Not to your knowledge or recollection?

Mr. THOMAS. No.

The CHAIRMAN. If the minutes of the American Sugar Refining Co. show that you were appointed on such beet-sugar committee, then your only comment is that you do not even know, or did not know, of the appointment until this bill was filed, and that you never served as a member of that committee?

Mr. THOMAS. To the best of my recollection.

The CHAIRMAN. You could recollect if you knew anything about a thing like that, could you not?

Mr. THOMAS. I am not sure whether I can or not.

The CHAIRMAN. You could not serve on a great committee, purchasing $30,000,000 or $40,000,000 or $50,000,000 of this real estate and property without even knowing you were a member of the committee, could you?

Mr. THOMAS. As I say, to answer your question directly, Mr. Havemeyer made the investigation himself, and then he reported as to what was advisable, and we had such confidence in his judgment and his knowledge of the situation; but whether he reported to this committee and they accepted his conclusions, or whether he reported directly to the board, I do not remember.

The CHAIRMAN. You have no recollection whatever of serving on the committee or doing anything for it yourself?

Mr. THOMAS. I have no recollection. I may have done it, but I have no recollection just now.

Mr. CRAWFORD. I do not wish the committee to be misled. That statement of dates is seriously wrong. In the first place, the date is a year out of the way. In the second place, the statement as to the resolution is not correct—is not a correct transcript of the resolution.

Mr. RAKER. What is the date of it?

Mr. CRAWFORD. 1902.

The CHAIRMAN. The witness has not testified he knows this to be the fact. He says he never served on such a committee.

Mr. THOMAS. So far as my recollection goes.

The CHAIRMAN. If there was such a committee, Mr. Havemeyer acted for him, he says.

Mr. CRAWFORD. You will find that in December, 1902, and the language is changed very much.

The CHAIRMAN. The resolution speaks for itself. What I am trying to get from you, Mr. Thomas, is whether or not you have any recollection on earth, independent of these statements in bills or minutes now, of the appointment of such a committee?

Mr. THOMAS. I have no recollection.

The CHAIRMAN. And whether you did anything in your life in performance of such a committee duty of that kind?

Mr. THOMAS. I have no recollection of it.

The CHAIRMAN. You could not forget a thing like that, could you, Mr. Thomas, unless your mind is wrong?

Mr. THOMAS. I think I might.

The CHAIRMAN. Could you forget a great transaction of that kind, involving millions of dollars?

Mr. THOMAS. I do not know. Under the conditions, I could not answer that.

The CHAIRMAN. There was something said about this grocers' agreement or factors' agreement, and you remember, when your attention was called to the fact, that in 1891, according to Mr. Havemeyer's report, that arrangement was in force in New England, as well as in New York, and you said it stayed in effect only two or three years, approximating it?

Mr. THOMAS. Yes; I did not remember that.

The CHAIRMAN. That was the estimate you gave of it, of course, and you said you could only approximate when this agreement was in effect, and you gave that approximation that it stayed in there a while only; and in order to explain your expression as to what a short time meant, you said, "I will approximate it at two or three years." I want to see if we can not refresh your memory on that point, and this is done in the utmost politeness, I assure you.

I want to read an article from the Journal of Commerce and Commercial Bulletin, published in this city, as I understand it, on September 2, 1903. That is 12 years after this agreement was put into force by the Sugar Refining Co. It is headed:

Grocers abandon attempts to control sugar prices. No further restrictions in New York and vicinity. An attempt will be made to hold a slight profit up the State. New England now the only territory where limited prices rule on sugar.

I will read now from the body of it, as follows:

The Sugar Trust and grocers have now both come to the conclusion that any limited-price policy is impracticable. The trust was willing to make a limited-price agreement with the grocers if the latter would purchase all their supplies from the older refiners—in other words, refuse to buy from the Arbuckles. But the grocers would not enter into such an agreement. It was an agreement, they declared, that could not last, since if the Arbuckles could not sell to the wholesale trade, they could be depended upon to promptly place themselves in connection with the retailers—the customers of the wholesalers. The grocers have themselves been trying by agreement since the first of the year to maintain prices, but they have had very hard work, and now have abandoned the attempt. The New England grocers are unanimous in maintaining a profit of 15 cents per 100 on sugar. But that seems the only part of the country where refiners are willing to help grocers secure a profit.

Now, again I call your attention to an article on October 30, 1903, from the Journal of Commerce in this city, in which they state:

Grocers declare sugar prices open. New York jobbers will now invade New England. This is regarded as Havemeyer territory and will interefere with the business of the trust. Grocers, it is stated, will now sell as they please.

So it seems, unless these papers were utterly mistaken about it, that as late as 1903—instead of 2 or 3 years, being 12 years, after this thing was inaugurated—this arrangement was still in force.

Mr. THOMAS. I am very glad to be corrected by you.

The CHAIRMAN. Is that right?

Mr. THOMAS. I have no reason to believe it is not.

The CHAIRMAN. With your memory thus refreshed, you should say it was kept up about 12 years?

Mr. THOMAS. I am not sure about this—whether it is the same agreement or not that was spoken of.

The CHAIRMAN. It has the 15 cents per 100 pounds, just like the other one, and the agreement is the same, I think.

Mr. THOMAS. It may be.

Mr. FULLER. I want to correct that without its going on the record, that that is another arrangement. It is a different thing, in fact.

The CHAIRMAN. I do not know. Is that a different arrangement that is referred to there?

Mr. FULLER. It is a different thing.

Mr. THOMAS. I can not tell whether it is or not.

The CHAIRMAN. It seems like you had some sort of a factor's agreement as late as 1903; is not that a fact?

Mr. THOMAS. Yes; it does—something similar to it.

The CHAIRMAN. Would you say these were accurate and reliable trade journals?

Mr. THOMAS. Oh, yes; they are.

The CHAIRMAN. You would believe the statements contained in these articles?

Mr. THOMAS. I would be inclined to believe they were correct.

The CHAIRMAN. So that up to 1903 the American did maintain some sort of a factor's agreement?

Mr. THOMAS. If you are correct in your dates—and I do not question them.

The CHAIRMAN. If that print is correct?

Mr. THOMAS. If that is correct, I think that is probably true.

The CHAIRMAN. I notice in the minutes of December 2, 1902—you are right, Mr. Crawford, in that respect—this record appears on the minutes:

> On motion, Messrs. Havemeyer, Thomas, Palmer, and Donner were appointed a committee to take charge of the purchase and management of beet-sugar companies.

That is what the record is.

Mr. THOMAS. I know.

The CHAIRMAN. You say that is correct?

Mr. THOMAS. As appearing in the record, I presume it is correct.

The CHAIRMAN. You have nothing to add to your testimony as to your service on this committee, or lack of knowledge or lack of service? Your lack of knowledge as to its existence?

Mr. THOMAS. No; I will repeat, as I said before, the system of the management in regard to those matters.

The CHAIRMAN. If Mr. Havemeyer appointed an important committee like that, that nobody would even notify its members they were on the committee or expected to render any service whatever, is surprising. They did not do it in your case?

Mr. THOMAS. I do not seem to remember any service I performed on that committee.

The CHAIRMAN. Mr. Thomas, you said something about the American Sugar Refining Co. not being a monopoly, even if it was a trust. I want to invite your attention to the percentage of sugar production controlled by your company. According to a statement given us by Mr. Atkins—and he got this up at the company's office, did he not?

Mr. THOMAS. Yes.

The CHAIRMAN. The American Sugar Refining Co. in 1910 directly refined 43.14 per cent of the total product of refined sugar in the United States. That is right, is it not?

Mr. THOMAS. I would accept those figures.

The CHAIRMAN. I see, during 1909, which is the last year in which he gives the detailed figures for the other people than the American Sugar Refining Co., he gives these figures: McCahan, 3.25 per cent of the total product; Arbuckle, 8.71 per cent; Federal, 6.30 per cent; Warner, 2.50 per cent; National, 10 per cent; Louisiana planters, 3 per cent; California and Hawaii, Henderson, Colonial, etc., 9 per cent; domestic beet, 14 per cent; American Sugar Refining Co., 43.14 per cent, making a total of 99.89 per cent, or nearly the 100 per cent.

If, to the American Sugar Refining Co.'s 43.14 you add the 10 per cent the National produces, provided you secure control of it in this suit, and if to that 53.14 per cent you add your proportionate part of the beet sugar, 14 per cent, it would be at least 4 per cent of that, would it not?

Mr. THOMAS. I should think so; I do not know.

The CHAIRMAN. That would give you nearly 60 per cent of the total product controlled by the American Sugar Refining Co., would it not?

Mr. THOMAS. I will accept your addition.

The CHAIRMAN. Between 55 and 60 per cent, I will put it, in order to be fair. Is that right or not?

Mr. THOMAS. I should think that was correct.

The CHAIRMAN. And you considered that a perfectly reasonable per cent of the production of a great necessity of life for one company to control?

Mr. THOMAS. I am not prepared to say what is reasonable or unreasonable, or what is a monopoly and what is no monopoly.

The CHAIRMAN. You leave those questions for the lawyers and courts?

Mr. THOMAS. I leave them to higher authorities.

The CHAIRMAN. You spoke of the purpose of this consolidation that is now finally and ultimately represented by the American Sugar Refining Co. I want to call your attention to what Mr. Havemeyer stated on this subject before the Lexow committee in 1897, to see if you agree with what he said. Mr. Havemeyer said before that committee that his company produced 75 to 80 per cent of the refined sugar at that time. He admitted that substantially the prices fixed by it were determined by competing concerns. I will quote his direct words:

Q. And whether you do it directly or indirectly, the fixing of prices by you means the fixing of prices of every other company, whether competitive or not?—A. That is undoubtedly substantially the way it works.

That was his testimony then? Was it true then, in your judgment?

Mr. THOMAS. It might have been true then, because the company had such a larger proportion of the sugar business.

The CHAIRMAN. Yes; 75 to 80 per cent. Mr. Thomas, would not that be substantially true to-day, that percentage of the business you control?

Mr. THOMAS. I could not say that, because there is a great deal of competition.

The CHAIRMAN. If you get the National, you will represent nearly two-thirds of the total production?

Mr. THOMAS. But that is speculation; I do not know.

The CHAIRMAN. Even as it is, you represent at least one-half, do you not, or substantially one-half?

Mr. THOMAS. I do not know. It is under 50 per cent.

The CHAIRMAN. A little under 50 per cent?

Mr. THOMAS. Yes.

The CHAIRMAN. Counting in your proportion of beet sugar, it would not be much under 50 per cent?

Mr. THOMAS. Yes; I think you have the figures.

The CHAIRMAN. Yes; and we will not argue about it. Could you not say any more than what you have already given us on the subject of the water that was originally in this sugar stock?

Mr. THOMAS. No: I can not.

The CHAIRMAN. And when you say now that really is worth 131 book value, or 121 on the market, that means it has been so managed that its earning capacity has made it worth that, does it not?

Mr. THOMAS. Yes; I think so.

The CHAIRMAN. In other words, it will pay dividends on that; is that the idea?

Mr. THOMAS. You can not tell how long it will do so.

The CHAIRMAN. It has paid dividends on that valuation, then?

Mr. THOMAS. I could hardly say that. It is probably worth that.

The CHAIRMAN. Its property is worth that? Can you say that?

Mr. THOMAS. I am not an accountant. I wish in regard to matters of this kind you would call our treasurer, who can elucidate the matter much more clearly.

The CHAIRMAN. Mr. Charles H. Allen?

Mr. THOMAS. Yes.

The CHAIRMAN. He has not been with this company any length of time, has he?

Mr. THOMAS. About a year and a half.

The CHAIRMAN. Does he know what its property cost?

Mr. THOMAS. I do not know whether he does or not.

Mr. FULLER. He knows what the book value is.

The CHAIRMAN. The book value is not worth a cent to us.

Mr. FULLER. That is according to the appraisement of the property.

The CHAIRMAN. What I want is the real value, not the book value. How do you arrive at that value?

Mr. THOMAS. I have nothing to do with making up these accounts. They are made up by our chartered accountants in consultation with our treasurer and Mr. Atkins.

The CHAIRMAN. In making up this book value there are many items that depend on the opinion of some man as to value of this piece of property or that piece of property?

Mr. THOMAS. I suppose so.

The CHAIRMAN. You know, when you say that is the book value, to what extent they were guided by what it cost?

Mr. THOMAS. I can not tell you how that was made up. It was made up by consultation of Mr. Allen and Mr. Atkins and the chartered accountants.

The CHAIRMAN. Your father himself got more than two for one for the real value of his property when he put it in, didn't he?

Mr. THOMAS. I can not tell exactly. I am going to furnish that.

The CHAIRMAN. Mr. Harrison got $10,000,000 for a property that cost somewhere between $3,000,000 and $5,000,000, did he not?

Mr. THOMAS. If that testimony has been given; yes.

The CHAIRMAN. If he says that, you would subscribe to it?

Mr. THOMAS. Yes.

The CHAIRMAN. And Mr. Oxnard got two or three for one, didn't he?

Mr. THOMAS. If he said so.

The CHAIRMAN. Yet you tell me there is no water in it?

Mr. THOMAS. I tell you, not now.

The CHAIRMAN. Because it has been made able to earn dividends on the amount which you now say is its property value?

Mr. THOMAS. I do not know.

The CHAIRMAN. Is not that the real reason?

Mr. THOMAS. That has contributed to it.

The CHAIRMAN. That is what determines the value of the stock—its dividend-paying capacity?

Mr. THOMAS. The intrinsic value, the condition of the property, and the money in its treasury, and all those things.

The CHAIRMAN. Provided it is a sound business proposition—and I mean by that, it is not a wildcat scheme.

Mr. THOMAS. No; it is not.

The CHAIRMAN. The main factor of determining the value of the stock is its dividend-paying capacity, provided the public believes it is a fair and permanent condition?

Mr. THOMAS. That requires confidence also.

The CHAIRMAN. When you send these other figures, will you include in that a certified copy of the charter of the American Sugar Refining Co.?

Mr. THOMAS. Yes, sir.

Mr. RAKER. Mr. Thomas, you testified a moment ago that you never knew or heard before that you were appointed on that beet-sugar committee. The minutes show that on December 2, 1902, at 11.30 a. m., on page 42 of volume 2 of your minutes, that you were present and one of the directors. Therefore, your statement a while ago was not true, was it?

Mr. THOMAS. I said I did not recollect. I said I did not remember.

The CHAIRMAN. If the minutes show you were there, you think they are correct?

Mr. THOMAS. The minutes are correct.

Mr. MADISON. I think it is important to know what your statement is about this. I gathered from you that to-day your stock is worth, book value, about 132, because you have property and assets of various kinds that are worth the amount of your stock, plus 32, is that right?

Mr. THOMAS. That is correct.

Mr. MADISON. That all your property—real, personal, and mixed, including money and credit—will amount to the par value of your stock plus 32 cents on the dollar?

Mr. THOMAS. That is the result of the figures of the treasurer, who has reported.

Mr. MADISON. I mean to-day.

Mr. THOMAS. Yes; approximately.

Mr. HINDS. You get that, but take the others who got that stock. How many of them sold it for less than par? Many of them did, did they not?

Mr. THOMAS. I do not know what they sold it at.

Mr. HINDS. The Philadelphia fellow at 80, I think.

Mr. THOMAS. I do not know.

Mr. HINDS. And some of the others at 60, and various figures.

Mr. THOMAS. I do not know.

The CHAIRMAN. That seems to me all, Mr. Thomas, and we will excuse you, with our thanks for your attendance.

The committee will now stand adjourned until 10 o'clock to-morrow morning.

(Thereupon, at 4.15 p. m., the committee adjourned until to-morrow, Thursday, July 20, 1911, at 10 a. m.)

No. 25

HEARINGS

HELD BEFORE THE

SPECIAL COMMITTEE ON THE INVESTIGATION OF THE AMERICAN SUGAR REFINING CO. AND OTHERS

THURSDAY, JULY 20, 1911

HOUSE OF REPRESENTATIVES

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

SPECIAL COMMITTEE ON THE INVESTIGATION OF THE AMERICAN SUGAR REFINING CO.

HOUSE OF REPRESENTATIVES.

THOMAS W. HARDWICK, *Chairman.*

FINIS J. GARRETT.	GEORGE R. MALBY.
WILLIAM SULZER.	J. W. FORDNEY.
JOHN E. RAKER.	E. H. MADISON.
H. M. JACOWAY, JR.	A. C. HINDS.

AMERICAN SUGAR REFINING CO.

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE AMERICAN SUGAR REFINING CO. AND OTHERS,
HOUSE OF REPRESENTATIVES,
New York, July 20, 1911.

The committee this day met, Hon. Thomas W. Hardwick (chairman) presiding.

The CHAIRMAN. The committee will come to order. We will swear Mr. Freeman on a little preliminary matter.

TESTIMONY OF MR. JOSEPH E. FREEMAN.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Mr. Freeman, you are the secretary of the American Sugar Refining Co.?

Mr. FREEMAN. I am.

The CHAIRMAN. Did you make the search requested by the committee yesterday for this authenticated resolution of 1892, in reference to political contributions?

Mr. FREEMAN. I did.

The CHAIRMAN. Did you make what you regard as a thorough search of the company's records?

Mr. FREEMAN. I did.

The CHAIRMAN. Is that authenticated resolution, referred to in the minutes and which you were requested to bring with you this morning, among the records of the company?

Mr. FREEMAN. I have been unable to find it, and I have all of the records of the company in my office.

The CHAIRMAN. Has it been amongst the records of the company since you have been secretary?

Mr. FREEMAN. No, sir; I have never seen such a resolution.

The CHAIRMAN. Do you know anything about it?

Mr. FREEMAN. I never heard of it before it was referred to here yesterday.

The CHAIRMAN. Who was your predecessor as secretary of the American Sugar Refining Co.?

Mr. FREEMAN. Mr. Charles R. Heike.

The CHAIRMAN. He lives at Summit, N. J., does he not?

Mr. FREEMAN. Jersey City.

The CHAIRMAN. And you are quite confident the resolution can not now be found among the records of the American Sugar Refining Co.?

Mr. FREEMAN. I am; yes.

TESTIMONY OF MR. JOHN E. PARSONS.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Mr. Parsons, the opening examination for the committee will be conducted by Representative Garrett.

Mr. GARRETT. You are Mr. John E. Parsons?

Mr. PARSONS. Always been supposed so. I never heard of any other.

Mr. GARRETT. How long have you lived in New York?

Mr. PARSONS. I was born here.

Mr. GARRETT. Born in the city?

Mr. PARSONS. Yes; more than three score and ten years ago.

Mr. GARRETT. I was just going to ask you if you would state your age.

Mr. PARSONS. Well, that will do.

Mr. GARRETT. Are you in the practice of law now?

Mr. PARSONS. I am not. The only regular occupation that I have at the present time is farming.

Mr. GARRETT. Law was your life profession, was it not?

Mr. PARSONS. I was admitted to practice as soon as the law of the State of New York in respect to age permitted, and I continued to practice down to three or four years ago.

Mr. GARRETT. You were in active practice during all of that time?

Mr. PARSONS. I think I was in as active practice as any of my contemporaries, and sometimes I thought a little more so.

Mr. GARRETT. I have heard so. Mr. Parsons, you were acquainted with the late Henry O. Havemeyer?

Mr. PARSONS. I was.

Mr. GARRETT. When did your acquaintance with him begin?

Mr. PARSONS. I think I can state the year; it is possible that I am mistaken, but I am very confident that my acquaintance with him began in the year 1873, and I think so by reason of an occurrence which has always been in mind with reference to that period.

Mr. GARRETT. Were you associated with him in business?

Mr. PARSONS. I was a fellow director with him of the American Sugar Refining Co. With that exception, I never was associated with him in business, except that between the company and myself and between Mr. Havemeyer and myself, in respect to personal matters, was the relation of client and counsel.

Mr. GARRETT. Were you counsel for Mr. Havemeyer and the others who formed the organization known as the Sugar Refineries Co. in 1887?

Mr. PARSONS. Mr. Havemeyer and others; yes. Mr. Garrett, if what you wish to know is an outline of that transaction, I shall be very glad to state it.

Mr. GARRETT. I was just going to ask, Mr. Parsons—I was first laying the ground for it—whether or not you are thoroughly familiar with the details of that organization?

Mr. PARSONS. Well, that is a very strong expression to use, "thoroughly familiar with the details." I can tell you what I know. I think I knew every essential matter bearing upon that organization.

Mr. GARRETT. You drew the deed, if I understand correctly, as counsel or as attorney?

Mr. PARSONS. I am willing to take the credit or the discredit of having drawn that deed. The situation is about this: As long as it was supposed to be a good thing others were disposed to share the credit; when questions were raised against it I was left alone, and I will stand by it.

Mr. GARRETT. Well, as a matter of fact, you were the chief counsel in drawing and preparing that deed?

Mr. PARSONS. That will better appear when I tell you what the situation was.

Mr. GARRETT. You may, in your own way, then, tell us what you know about that organization.

Mr. PARSONS. I have told you that in 1873 I was brought in relation with Mr. Henry O. Havemeyer, first as lawyer against another branch of the Havemeyer family, which was represented, in a way, by him. You will therefore see that originally I was in touch with another branch of the family.

Mr. GARRETT. What branch was that?

Mr. PARSONS. I would call it the Mayor William F. Havemeyer branch. It was the branch of which the principal representative was that very eminent mayor of New York, Mr. William F. Havemeyer, reform mayor of New York. Now, the Havemeyers, like all persons whom I have known of strong personality, sometimes disagreed, and when they disagreed they disagreed hard. And when I first began to know about sugar matters there was the Havemeyers & Elder establishment, or organization or refinery, and then there was what was called the Havemeyer Sugar Refining Co. organization, and that was represented by the other branch of the Havemeyer family, the Havemeyers & Elder branch at that time being represented by Mr. Theodore A. Havemeyer, now deceased—a man who had as large a knowledge of the sugar-refining business as anybody—Mr. Henry O. Havemeyer, of whom you know, and Mr. Charles H. Senff, who was a relative, and who gave very valuable attention to the practical business of sugar refining. On the other side was the Havemeyer Sugar Refining Co., and the prominent persons connected with that, I should say, were Mr. Hector C. Havemeyer, now dead——

Mr. GARRETT (interposing). Was he a brother of Mr. Theodore A. Havemeyer and Mr. Henry O. Havemeyer?

Mr. PARSONS. No; a remote cousin—I do not know how near. He represented the other branch of the family; but the practical representative of the Havemeyer Sugar Refining Co. in this was Mr. John E. Searles, whose name has been mentioned here, and when I first had my attention drawn to the matter my situation was to speak primarily for the Havemeyer & Elder interests, and later, in connection with Mr. Searles, to speak for the Havemeyer Sugar Refining Co. interests. Now, outside of that was the Standard Co., of which you have been told, in Boston, represented at that time by Mr. Thomas, the father of Mr. Washington B. Thomas, a very strong sugar man, as I have always understood. There was the Matthiessen & Weichers establishment in Jersey City, and that was a very strong organization. Now, the persons with whom I was brought into communication were Mr. Searles, Mr. Matthiessen, those whom I represented, and, incidentally, from time to time, perhaps others, but the negotiations and talks were mainly between me, as representing

one interest, and Mr. John E. Searles, as speaking generally for the others, although from time to time, my recollection is, I had personal communication with Mr. Matthiessen.

Mr. GARRETT. Is there any one individual who can be said to have originated the idea of the formation of 1887, to your knowledge?

Mr. PARSONS. Well, I have sometimes thought I was the man.

Mr. GARRETT. That originated the idea?

Mr. PARSONS. That developed the idea and put it in the shape which was the outcome. But later on a suit was brought by a gentleman here who claimed it was he, although I think he changed his mind afterwards when he found it was stated the transaction was of the kind which has been claimed here, and I was left alone, and I am here now willing to take the responsibility for that transaction and to stand by it of that time and of now.

Mr. GARRETT. I do not mean as to the drawing of the instrument itself. By that question I really meant who originated the idea, whose conception was it to bring together these various manufacturers into one organization, such as was consummated in the agreement of 1887?

Mr. PARSONS. So far as the fundamental idea of that organization is concerned, that is to say, of trying to have a partnership on the part of individuals engaged in one particular business and that that partnership might consist of two persons, twenty persons, or two hundred persons, I think I am entitled to as much credit as anybody else, but on somewhat similar lines I think I have learned, or perhaps I knew at the time, that the Standard Oil Co. had had the matter before them, and I do know that somewhat on the same lines there was something which came to my notice later on which I did not know at the time which concerned some aggregation of cotton interests.

Mr. GARRETT. Well, I think, Mr. Parsons, you are addressing yourself to the legal phases of it, while what is in my mind is rather the industrial——

Mr. PARSONS. The economic point of view?

Mr. GARRETT. Yes; the industrial or economic point of view. Who conceived the idea of forming the organization? Did you yourself? Now, you had no interest in the sugar business at that time, did you?

Mr. PARSONS. No.

Mr. GARRETT. You owned no stock?

Mr. PARSONS. No.

Mr. GARRETT. In any corporation engaged in the refining of sugar?

Mr. PARSONS. No.

Mr. GARRETT. And were not a partner in any private firm which was engaged in refining sugar?

Mr. PARSONS. No.

Mr. GARRETT. But you were counsel for different ones who were so engaged?

Mr. PARSONS. At one time or another for several of these parties.

Mr. GARRETT. Did you yourself suggest to any one of them the idea of bringing the several companies into the organization or did some one else conceive the idea and come to you for legal advice on the matter?

Mr. PARSONS. Mr. Garrett, I think this is an answer to your question: The consideration of whether it is in the public interest or

whether it is in the private interest to have business done retail or wholesale, what is the benefit to the public or to the persons interested on the general subject of the aggregation of capital as against distribution of capital, has been dealt with for a great many years by economical writers; it is no new idea; and when the matter was first brought to my attention very likely it was mentioned by Mr. Searles or very likely by Mr. Havemeyer, but it was no new idea.

Mr. GARRETT. I understand that as an abstract proposition it was not a new idea, but as a concrete matter, that is, the organization of these particular companies, I was wondering whose suggestion it was, if you knew?

Mr. PARSONS. There was at one time an investigation in Washington—this is not the first experience of investigating on the part of those who have had to do with sugar, and testimony was given there which taught me a good deal about the situation preceding the formation of the company, and those who knew what I professionally did not know very likely had the idea in mind, for it was not for the interest of anybody that the business should be done as it had been done, and the question was what to do by way of a substitute and, under those circumstances, the matter was brought to my attention.

Mr. GARRETT. Well, by whom?

Mr. PARSONS. By Mr. Theodore Havemeyer, by Mr. Henry O. Havemeyer, by Mr. John E. Searles, those particularly at the beginning, because those were my particular clients; but later on there was conversation with all concerned upon this subject.

Mr. GARRETT. Yes, no doubt, but I was anxious to see, if I could, who it was that first conceived the idea that it would be a good business proposition to bring these various manufacturers into one organization?

Mr. PARSONS. Now, I think, Mr. Garrett, I might say it was in the mind of everybody.

Mr. GARRETT. Do you think that Mr. Theodore Havemeyer, Mr. Searles, and Mr. Henry O. Havemeyer were the first who consulted with you about the proposition or discussed with you the advisability of bringing these various manufacturers into one organization, both as a legal proposition and as a business proposition?

Mr. PARSONS. I should omit Mr. Searles and say Mr. Theodore Havemeyer and Mr. Henry O. Havemeyer. I think Mr. Searles was a stranger at the beginning, and that it was this business which brought me in touch with him.

Mr. GARRETT. About what time was that—about what year, if you can tell us?

Mr. PARSONS. You see, the Sugar Refineries Co.——

Mr. GARRETT. I know that was organized in 1887.

Mr. PARSONS (continuing). The general subject of the situation of the sugar business, out of which came this arrangement, was no doubt talked of by me for several years previously with these gentlemen.

Mr. GARRETT. Do you know when the first active steps were taken toward consummating the idea that had been suggested?

Mr. PARSONS. If, by active steps, you mean something in the nature of bringing the different interests together, I should say within a year of the formation of the Sugar Refineries Co.; if what you mean

is a general consideration of the subject on the part of those whom I represented, and on the part of others, longer than a year prior—two or three years prior. The subject was active for two or three years before 1887.

Mr. GARRETT. The deed was drawn and put out for circulation for signatures in August, 1887; is that correct?

Mr. PARSONS. It never was put out for circulation for signatures, if I understand what you mean. If you mean when it was complete so it could be signed, certainly as early as a month or two prior to the time it was signed.

Mr. GARRETT. Well, it was signed at different times by different ones.

Mr. PARSONS. Well, I speak about the first signature.

Mr. GARRETT. Do you know who signed first?

Mr. PARSONS. I do not.

Mr. GARRETT. Is it probable that it was signed in the order in which the signatures appear on the printed copy which I will show to you? This has already been placed in our record, and is contained in a bill filed November, 1910, and appears on page 155. I show that to you and ask if that is the agreement or deed?

Mr. PARSONS. I should think, Mr. Garrett, that was likely to be true, so far as concerns the first six signatures, and for a reason which I will explain if you care to hear it.

Mr. GARRETT. Yes.

Mr. PARSONS. Havemeyer & Elder were the important people at that period. Their refinery was the largest and they were, as I have already told you, the pioneers in respect to this transaction. They at that time had some relation to, and it may be that they owned, the De Castro & Donner Sugar Refining Co., which you will find is the second signature. Now, I told you that on the other side, if you please, was Mr. Matthiessen, and I find that the signature of his company and his signature come next; then you come to the Havemeyer Sugar Refining Co., represented by Mr. John E. Searles. Now, the people who follow were persons who were likely to follow that lead, and I am inclined to think, therefore, that it was natural to wait to see whether these others, the larger men, signed, and then they would sign afterwards. When it comes to the order in which the succeeding signatures were placed upon the paper I do not think that the order in which the names appear here bears upon that; but that is only a surmise. Take Mr. Thomas, for example, he was in Boston, I do not suppose he would wait until the paper was sent to him and signed at Boston if there was somebody else in New York who appeared further down and who signed here.

Mr. GARRETT. Well, as a matter of fact, Mr. Parsons, in the case of the Boston people—Mr. Atkins and Mr. Thomas—is it not true that Mr. Henry O. Havemeyer refused to go into this agreement unless they would; that is, the Boston people?

Mr. PARSONS. I do not think I ever heard anything of the kind. I did know that it was recognized that Mr. Thomas was a strong man, and that it was desirable, if there was to be an arrangement of this kind, that he should be a member.

Mr. GARRETT. Neither Mr. H. O. Havemeyer nor Mr. Theodore A. Havemeyer, so it was testified before this committee by Mr. Lowell M. Palmer, would go into the organization if——

Mr. PARSONS (interposing). If the committee has the testimony of Mr. Palmer, that is all right; but I do not adopt all that Mr. Palmer says. I prefer that you shall read from the record.

Mr. GARRETT. With reference to what Mr. Palmer said about the matter, do you know how that was?

Mr. PARSONS. No; but I think it was recognized that Mr. Thomas was a strong sugar man, and as it was desired to secure the best talent it was important that Mr. Thomas should be a member, and, besides that, Mr. Thomas spoke for New England, and the other parties were practically New Yorkers, because, while Williamsburg and Brooklyn are separate, in a way, nevertheless New York is the center, and the same was true as to the Matthiessen & Weichers establishment, which was located in Jersey City.

Mr. GARRETT. Now, why was it so desirable to have the New Englang interests in the organization?

Mr. PARSONS. Well, Mr. Garrett, I suppose that what this bears back upon is whether the object of this organization was to prevent competition and to prevent competition with New England interests. Now, I think I can demonstrate to you that the men concerned were too big to think there was any possibility of preventing competition except in one way, and that was by having the price so low as to defy competition. All of the phases of the subject were thoroughly considered, and the outcome is put in the Sugar Refineries Co. deed showing what was the purpose of these people. Do not for a moment think that if the outcome could be, within legal rules, to prevent competition there would have been any objection on that score. But if you will look at the Sugar Refineries Co. deed you will find that everybody who joined, everybody interested, and everybody in the whole world was left out to compete if they saw fit to do so.

Mr. GARRETT. Can you state to what extent the product of the Boston refineries supplied the New England markets?

Mr. PARSONS. I have not the remotest knowledge. and I do not think I ever had any knowledge.

Mr. GARRETT. You do not know, then, of course, whether they manufactured a sufficient quantity of refined sugar to supply the New England market or not?

Mr. PARSONS. I have no knowledge upon the subject.

Mr. GARRETT. Now, then, if the matter of competition between those concerns was not important, why was it important to have the New England men in the organization?

Mr. PARSONS. I have not said it was not important; I have not intended to say it was not important. But I think it might be true that if these gentlemen were interested as partners in a particular business that it would be very unlikely that they would compete with themselves.

Mr. GARRETT. So all being interested in a particular business, it would be unlikely that they would be competing among themselves?

Mr. PARSONS. I should consider that as an axiomatic proposition, although they were free to do it if they wished to do it.

Mr. GARRETT. Unquestionably that would be an axiomatic proposition, but it did have just that effect, did it not?

Mr. PARSONS. Not by any means.

Mr. GARRETT. That they did not compete among themselves? Did it not have that effect?

Mr. PARSONS. You mean as between themselves?

Mr. GARRETT. Yes. Is it not a fact that the organization of the Sugar Refineries Co. in 1887 did stop competition between the companies that constituted that organization?

Mr. PARSONS. So far as I know; but whether any of those did or not I do not know; I have no knowledge on that subject. What I do know is that after the arrangement with the sugar people in Philadelphia took place, according to the testimony in the Knight case, the parties interested in the American Sugar Refining Co. represented more than 90 per cent of the sugar interests.

Mr. GARRETT. After the organization of the Sugar Refineries Co. in 1887 there was no competition between the Boston people and the New York people either in New England or anywhere else?

Mr. PARSONS. Not of which I know or of which I heard.

Mr. GARRETT. So that whatever the purpose may have been, it was one of the effects?

Mr. PARSONS. It was one of the consequences.

Mr. GARRETT. Well, in this instance, consequence and affect are synonymous terms, are they not?

Mr. PARSONS. Well, that is a question of prosody. Do not think that I want to avoid what I think you want to get at.

Mr. GARRETT. I do not think you want to avoid anything. I can not conceive of any possible objection on your part, and I have no doubt you desire to tell fully whatever the facts are as you see them.

Mr. PARSONS. What is stated in the deed is exactly according to the facts, and there was every reason why these gentlemen should make this arrangement, even if you say the consequence was—or the effect was, if you please—that as between them there was no longer competing interests in sugar.

Mr. GARRETT. I understand that to be your view as an economic proposition.

Mr. PARSONS. As a practical and economic proposition.

Mr. GARRETT. You believe in organization of capital, large organizations?

Mr. PARSONS. I believe in the organization of capital, the organization of labor, and the organization of ability that is in any way in the interest of the contributors as long as it keeps within the law.

Mr. GARRETT. I understand that those are your views. Now, what efforts were made in 1887, if you know, to bring the Philadelphia refineries into the organization?

Mr. PARSONS. I know of nothing upon the subject itself. Perhaps I ought to mention as possible knowledge—whether it has a bearing or not it must be for you to say—that Mr. Theodore Havemeyer, who was the elder of the two Havemeyer brothers, was interested in what became the Franklin Sugar Refining Co., of Philadelphia, and was a member of the partnership of Harrison, Havemeyer & Co., which represented that plant, that refinery. Now, it may easily be——

Mr. GARRETT (interposing). Pardon me, was it not Harrison, Frazier & Co., instead of Harrison, Havemeyer & Co.?

Mr. PARSONS. It was Harrison, Havemeyer & Co. in the early period. Now, it is very conceivable that as Mr. Theodore Havemeyer was the brother of Mr. H. O. Havemeyer that they would talk about this matter, but when the conversation first started with the Messrs. Harrison, who eventually succeeded to the whole of that interest, I

do not know. Perhaps you have not kept this in mind, that all of these arrangements, in the main, were family or partnership arrangements. The Franklin Co. was represented mainly by the Harrison family of Philadelphia. Mr. Frazier—William W., I think, was his name—was a brother-in-law, and Mr. George H. Frazier, I think is his name, who is now a member of the present board, is the son of William W. Frazier. I can tell you when I first knew anything about any possible arrangement with the Philadelphia people if you want to know that.

Mr. GARRETT. Well, in a few moments. I was just wondering why it was regarded, and whether you knew why it was regarded, as of so great importance to bring in the Boston people, and what the relative importance of bringing in the Philadelphia refineries was thought to be at that time?

Mr. PARSONS. I do not remember, Mr. Garrett, that I have said it was important to bring in the Boston interests by comparison with any other interests. Mr. Thomas was a strong man; if there was to be a congregation of sugar talent, it was desirable to have him.

Mr. GARRETT. Well, the Harrisons were strong people, too, were they not?

Mr. PARSONS. They were strong in a way, but what started the Harrison interest was Mr. Theodore Havemeyer, who became a member of that firm. I do not mean started in point of time, but I mean started in point of importance, because Mr. Theodore Havemeyer was one of the few sugar experts of that period, and he went to Philadelphia and became associated with Mr. Harrison. I have always supposed that as long as that association continued he was the practical man.

Mr. GARRETT. That refinery was established in 1863, was it not?

Mr. PARSONS. Many years before I first knew about it, but when I do not know.

Mr. GARRETT. By the elder Harrison and then transmitted to his sons who continued to run the business until they sold it to the American Sugar Refinery Co. after its organization?

Mr. PARSONS. I would assume that to be so, because Mr. George Harrison, the father of the present provost of the University of Pennsylvania, Mr. Charles C. Harrison, who has been examined here as a witness, when I first knew of the Philadelphia refinery, was the representative of that interest.

Mr. GARRETT. As I understand it there were 23 refineries in existence in the United States at about the time of the organization of 1887—I may be in error about that, but I think that is correct—and of those 23 there were 15 that went into this organization?

Mr. PARSONS. I should have to count them to know the number; it is not in my mind at the moment, and what the entire number at that time was I do not recall, in fact I doubt very much whether I knew.

Mr. GARRETT. Well, I think that is correct.

Mr. MADISON. Seventeen.

Mr. GARRETT. My colleague suggests that 17 went into the agreement, the agreement of 1887?

Mr. PARSONS. I am very willing to accept Mr. Madison's statements; I have no doubt it corresponds with what the paper shows; however, I prefer to rely upon the paper.

Mr. MADISON. To relieve your anxiety, I may say that I am reading from a paper.

Mr. PARSONS. I supposed you were; and if you say 17, I say 17.

Mr. GARRETT. The bill which was filed states there were 23, and we have it in the record as 23, and then my colleague, Mr. Madison, suggests that there are 17 signatures to the paper. Now, I was wondering whether you knew what efforts were made to get the others that did not sign at that time?

Mr. PARSONS. I do not think I know anything, and I do not think that I know that there were any efforts made.

Mr. GARRETT. You have no recollection now of that?

Mr. PARSONS. I am very confident that I had nothing to do with it, and I am reasonably confident that I did not hear of it. The only person who could give information upon that subject is not now living—Mr. Searles—becase Mr. Searles was the principal spokesman with whom I had to do.

Mr. GARRETT. And it was Mr. Searles, was it, who conducted the negotiations in the main between all of the various firms and corporations?

Mr. PARSONS. I would assume so, because my talks were mainly—aside from my personal clients—with Mr. Searles.

Mr. GARRETT. How long did the Sugar Refineries Co. continue, Mr. Parsons?

Mr. PARSONS. May I be permitted to state that in my own way?

Mr. GARRETT. Certainly.

Mr. PARSONS. The fact of the organization very shortly became a public fact. Not long after that a suit was brought nominally by the people of the State of New York, but really on the relation of gentlemen holding official positions in a political organization here, who had the courage to put their names upon the record as being the actors in that transaction. Now, the suit was the suit of the people of New York against the North River Sugar Refining Co., with respect to which there has been a great deal of misunderstanding. It has been stated far and wide, and it is no doubt in the minds of you gentlemen, that the court of appeals of the State of New York held that the Sugar Refineries Co. violated the law with respect to the restraint of trade and that it was a monopoly.

Mr. GARRETT. I do not think that is in the minds of the members of the committee. We have the opinion before us and have read it, at least some of us have. According to my view it simply dissolved the North River Sugar Co. as a corporation, because it did enter into this Sugar Refineries Co.

Mr. PARSONS. Because it became a partner and because a corporation could not be a member of a partnership agreement.

Mr. GARRETT. I beg your pardon. You do not mean to say that that was the only ground on which the court of appeals rested that decision, do you? Here is the opinion.

Mr. PARSONS. I have it here.

Mr. GARRETT. Of course, it is hardly necessary for us to argue the law questions.

Mr. PARSONS. I think this matter ought to be put straight, and this is the first opportunity I have ever had of calling attention to the matter. Now, I think it will not be uninteresting to know something about that suit. It was defended by Mr. James C. Carter,

who, I think, was the recognized head of the American bar; the representative of the adverse interests was Mr. Pryor, subsequently Judge Pryor, a most able lawyer——

The CHAIRMAN (interposing). If you will pardon me, what political organization was it that you said these gentlemen belonged to who brought this suit?

Mr. PARSONS. We call it here Tammany Hall.

Mr. GARRETT. Before you go further——

Mr. PARSONS (interposing). Now, I would like, if you will permit me, to complete my statement. I would like to touch upon several points.

Mr. GARRETT. I am interested in that political-organization matter, and why they brought the suit, if you know?

Mr. PARSONS. Anybody can tell why they brought it.

Mr. SULZER. You tell us, Mr. Parsons.

Mr. PARSONS. I have never been a party man; I am out of party politics; I am not here to say anything against anybody, but, Mr. Sulzer, I will tell you what Tammany Hall did in respect to that litigation. It arranged to test that question in a way that would do no harm to anybody, and while I said as hard things against Tammany Hall at that time as anybody, and have kept it up more or less since, and when I was president of the City Club, the Reform Club, I condemned political processes sometimes on one side and sometimes on the other, still when I find the present idea of testing a law of doubtful construction by criminal indictment I am rather apt to approve what Tammany Hall did in the way of testing that matter.

Mr. GARRETT. Was that suit brought as a friendly law suit?

Mr. PARSONS. By no means; it was a most hostile lawsuit.

Mr. GARRETT. Why did they bring the suit? What was the motive?

Mr. PARSONS. Well, I think anybody can tell.

Mr. GARRETT. Well, I am somewhat dull and can not tell. I would be glad to know.

Mr. PARSONS. Well, if you will look at the political platforms of the party to which that organization belongs you will find what use was made of this organization and the motive for bringing that suit. That is a part of the history of the period, and it is for that reason that I have not been able at all times to keep in accord with the party to which I want to belong. I do not believe in such things.

The CHAIRMAN. Have not all of the parties incorporated in their platforms planks with relation to trusts?

Mr. PARSONS. I think it is very likely.

The CHAIRMAN. And that is the reason why you belong to none of them?

Mr. PARSONS. Because I will not stand by things that I do not approve, whether it is the interest of or against the interest of the party.

Mr. GARRETT. Then, do I understand the inference that you expect the committee to draw is that that was brought in order that the decision might be used as political capital?

Mr. PARSONS. I would not go so far as to say that. It might be said in favor of Tammany Hall that it did bring the suit in that way and that no practical harm resulted pending the suit. By that I

mean that the North River Co., which they selected as the organization over which to test this question, was not an operating refinery, and it did not mean what under other conditions might have happended—that is, the turning out of thousands of employees and stopping an important industry.

Mr. GARRETT. After the corporation had passed into the hands of Mr. Searles—after he had become the nominal owner of it—it was closed down, was it not?

Mr. PARSONS. I do not remember about that. I think proceedings were being taken to condemn the land for a public park and that either by that reason or by some other reason it was not a running refinery, and therefore the making of that refinery the subject of the test of these questions did not do practical harm to the operatives or to the interests.

Mr. GARRETT. Before you go into that opinion, if you please, in order that we can get the history of it up to that time and have it in logical order in the record, there was a firm or a close corporation, the principal stock of which was owned by Moller?

Mr. PARSONS. Yes.

Mr. GARRETT. That was the North River Refining Co.?

Mr. PARSONS. Yes.

Mr. GARRETT. They met early in 1887, in April, and passed a resolution which recited in the preamble that there were negotiations pending looking to a combination of various sugar refining companies, and the resolution authorized the officials of the company to go into that combination and to sign the necessary papers; is that correct?

Mr. PARSONS. So far as that point is concerned, my recollection corresponds with your statement; but so far as the details go I do not have them in mind. The point that you mention corresponds entirely with my recollection; that is to say, that it was claimed that there was this April meeting of the North River Co., and that brought up the direct question whether a corporation could be a member of a partnership.

Mr. GARRETT. Now, then, in November——

Mr. PARSONS (interposing). I want to take this opportunity to state, however, that all of this was not a mere question of partnership, but a question of whether that agreement did violate the laws of trade.

Mr. GARRETT. Yes, certainly; we will get to that in a few moments. I want to get the fact in regard to this particular corporation into the record. In November of 1887 the board of directors, or the stockholders it was, I think, met again and passed a resolution attempting to rescind the action taken in April. That, in a general way, is correct; is it not?

Mr. PARSONS. I have no recollection about that. Of course, if you say so, I should say yes.

Mr. GARRETT. That was one of the principal points that was raised in the lawsuit?

Mr. PARSONS. That recalls something, if you care to hear it.

Mr. GARRETT. You say it does recall something?

Mr. PARSONS. Yes.

Mr. GARRETT. All right, we will hear it if it has any bearing on the matter.

Mr. PARSONS. It is the general idea that sugar usually sweetens, but somehow it is the other way, and in the Moller family was the same situation as on occasions was the fact with others. I knew the Mollers, and there were two somewhat conflicting branches of the family there, and that would explain, possibly, why it was that they did things and undid things, but I have no recollection upon the subject.

Mr. GARRETT. I confess that is one thing touching this opinion that I do not exactly understand.

Mr. PARSONS. I think I can explain it to you.

Mr. GARRETT. It is recited that following the November action——

Mr. PARSONS (interposing). Are you reading from the opinion of the Court of Appeals?

Mr. GARRETT (continuing). Yes; I have the opinion. These same stockholders met again. Now, it was on the 25th of November, 1887, according to this record. It was on the 22d of April that they met and passed the original resolution authorizing the officers of that company to sign the agreement to go into the trust; then on November 4, 1887, they had a meeting at which they attempted to rescind that action, and then again on the 25th of November, 1887, they had a meeting and passed a resolution reciting that on or about the 5th day of December, 1887, George H. Moller had signed the agreement, believing that he had a right to do so in accordance with the resolution of April 22, 1887. I wonder whether the discrepancy in the date is due to a misprint? On the 25th of November they were meeting respecting an agreement he had signed on the 5th day of December, 1887.

Mr. PARSONS. I have no information or recollection upon the subject. My only recollection is that it was Peter Moller on the one side and George Moller on the other, and they did not agree.

Mr. GARRETT. Whatever the facts may have been about that date they did meet and pass a resolution reciting the fact that Moller had signed——

Mr. PARSONS (interposing). George Muller?

Mr. GARRETT (continuing). Had signed, believing that he had the right to do under the resolution of April 22, and also reciting that John E. Searles was making an offer to buy the stock of the North River Refining Co. for $225,000, exclusive of certain real estate, and authorizing the sale of it to Searles, which was subsequently consummated, as I understand it, and Searles then carried it into the trust company and there was issued for it, including, as I understand, both this stock and the real estate which had been excepted, but which was subsequently purchased by Mr. Searles for some $25,000, making a total investment of $350,000 in cash that Searles paid to the Mollers, who were the principal owners of the North River Co., and then it was carried into the trust of 1887 for $700,000. I think that is a correct statement of the history up to that time. I will not interrupt you further if you want to continue your statement touching that suit, upon which you started awhile ago.

Mr. PARSONS. Of course, you have stated what you assume the proposition to be, and I have no recollection upon the subject one way or the other.

Mr. GARRETT. I would like to know, if you know, who furnished the money with which that was bought?

Mr. PARSONS. I do not think I do know. I am very sure I do not.

Mr. GARRETT. Searles paid the Mollers cash for it.

Mr. PARSONS. I presume Searles furnished it then. However, this is mere conjecture. I do not know anything about it.

Mr. GARRETT. All right; go ahead, sir.

Mr. PARSONS. You want to know the history of that suit?

Mr. GARRETT. I understood you desired to make a statement touching that suit.

Mr. PARSONS. If the committee desires me to.

Mr. GARRETT. Yes; go ahead.

Mr. SULZER. I think it would be very interesting for you to tell us about the matter, as you remember it.

Mr. PARSONS. To me the subject has a good deal of general interest. I have told you that on the sugar refineries company's side was Mr. Carter, a most eminent lawyer.

Mr. SULZER. He was the leader of the bar at that time?

Mr. PARSONS. He was the leader of the New York bar and the American bar at that time, and on all public questions was pretty strongly in the interest of the public as against anybody else.

Mr. SULZER. A grand old Democrat.

Mr. PARSONS. Well, I thought so. He was a dear, personal friend of mine, and helped to bring me up. On the other side was Gen. Pryor, as good a man as Tammany could find to represent the adverse interests. Now, the suit was brought to establish that that arrangement—combination, if you see fit to make use of that term—violated the law in respect to monopoly in restraint of trade. I have never forgotten the first conference on the subject I had with Mr. Carter and the thing he said, which I will state if you wish; if not, I will pass it.

Mr. GARRETT. Go ahead, sir.

Mr. PARSONS. The case came on to be tried before Mr. Justice Barrett—George C. Barrett. Judge Barrett was as able a judge as we ever had, a gentleman for whom I had the highest regard, personally and judicially; but he was committed from the word "go" to the other side of this subject of monopoly, and we were not unwilling that the suit, in the first instance, should be heard before him, because what the sugar refineries company wished to ascertain was whether what they had done was right, and if not, to establish what was right and conform to it; and they desired to have the case heard before a judge who naturally would go as strongly in that direction as was possible; and Judge Barrett did, in a luminous opinion, which stated the argument as strongly as possible upon the general economic question. In our State there is an intermediate court of appeals. The case went to that court, and that court affirmed Judge Barrett; and then the question came before our court of appeals, which is our highest court of resort. Now, remember that so far as Tammany and the interests represented by it were concerned, what they wished to make out was that this was a combination that was illegal, by reason of its putting a restraint upon trade, by reason of its preventing competition, by reason of its creating a monopoly; and this is what the Attorney General said in his brief that the court of appeals was asked to affirm.

Mr. GARRETT. Have you the page?

Mr. PARSONS. I am reading from my brief in the Knight case.

The CHAIRMAN. Who was the attorney general of the State at that time?

Mr. PARSONS. Judge Pryor was his appointee. This is my summary of the decision in my brief in the later Knight case, when this question came up, and when it was claimed that the Court of Appeals of New York had decided that this was an illegal combination by reason of its preventing competition and creating a monopoly. The supreme court, from which was taken the appeal to the court of appeals had held that the arrangement under consideration was against the law, and that for that reason the charter of the North River Sugar Refining Co. was to be forfeited, but the court of appeals was asked to affirm this and decide that the so-called Sugar Trust was illegal. I quote the language: "was injurious to trade and commerce, tended to the suppression of competition, and the enhancement of prices, and constituted a monopoly." I quote the language from the brief of the attorney general.

Mr. SULZER. Will you tell us who was the attorney general at that time?

Mr. PARSONS. Judge Pryor.

Mr. SULZER. He was special counsel.

Mr. PARSONS. When I say the attorney general, I mean Judge Pryor. He was the attorney general for that particular case, by appointment. I do not remember who held the position of attorney general, if that is what you ask. Judge Pryor was a pretty strong man as a fighter. He came here from the South, and we gave him a warm welcome as a lawyer and later as a judge, and there could have been no better man to represent before any of the courts, and before the court of appeals, this doctrine, which was all we were fighting against. We never contended that a corporation should become a partner to an arrangement of this kind; but what the sugar refineries company was fighting was this question, whether the arrangement violated the laws of trade, created a monopoly, prevented competition, and so on, and Judge Pryor argued, and argued most forcefully, that it did, and I am going to tell you what the court of appeals said.

Mr. SULZER. I want the record to show that Judge Pryor was designated by the attorney general of the State to prosecute this case.

Mr. PARSONS. Yes; he was designated by the attorney general. I suppose somebody asked the attorney general to designate him.

Mr. SULZER. Well, the attorney general designated a good man.

Mr. PARSONS. Oh, he did; there is no question about that. Now, this is what the court of appeals said—having reached the conclusion that the North River Co., in its corporate capacity, had entered into a partnership, and that that was in violation of its charter, the opinion of the court proceeds:

> Having reached that conclusion, it becomes needless to advance into a wider discussion over monopolies and competition and restraint of trade and problems of political economy. Our duty is to leave them until some proper emergency compels their consideration, without either approval or disapproval of the views expressed upon that branch of the case by the courts below, we are enabled to decide that in this State there can be no partnerships of separate and independent corporations.

In other words, they said that the question upon which the case had been heard in the lower courts was not really in the case, and

they would not have anything to do with it. Let me say in addition, our court of appeals could express no other opinion, because in earlier cases, and conspicuously in the case of Leslie *v.* Lorillard, our court of appeals was in line with the English courts, and, as I think, with every court which will consider these questions from an economic standpoint, in the conclusion that these arrangements are in the interests and not against the interests of trade; that they are in the interests and not against the interests of the public.

Mr. GARRETT. Now, you say that the court could not have reached any other conclusion but that a corporation could not enter a partnership?

Mr. PARSONS. No; I said it could not reach any other conclusion than the conclusion it reached; that it would not consider this question of monopoly because of its record in earlier cases.

The CHAIRMAN. They did not decide in favor of your contention at all, according to the language you have just read.

Mr. PARSONS. They did not decide it either way.

The CHAIRMAN. They left it open.

Mr. PARSONS. More than that, Mr. Hardwick, they declined to affirm what had been said before.

The CHAIRMAN. Because they said it was not necessary.

Mr. PARSONS. Because they said it was not in the case.

Mr. GARRETT. Now, let me ask you if there are not about 16 pages of the opinion devoted to other phases and only a very brief discussion of that proposition, that a corporation could not enter a partnership?

Mr. PARSONS. Doubtless.

Mr. GARRETT. And do they not discuss very elaborately the action in closing down the refinery?

Mr. PARSONS. I have no recollection of that.

Mr. GARRETT. Do you insist, then, that this opinion puts the dissolution of the corporation squarely upon the ground, and upon the ground alone, that a corporation could not enter a partnership?

Mr. PARSONS. That is my understanding of that decision.

Mr. GARRETT. Now, is that all you desire to say?

Mr. PARSONS. Pardon me; I do not desire to be heard further.

Mr. GARRETT. I beg your pardon for interrupting you in your connected statement.

Mr. PARSONS. I think that completes what is to be said about that decision, and nobody can read that opinion and find in it anything which commits the court of appeals to the doctrine that that arrangement was to be condemned because it violated the law in reference to monopoly. The court of appeals declined to say so. The court of appeals was asked to say so, and declined.

Mr. MADISON. The Court of Appeals did say that as a matter of fact the arrangement between those corporations constituted a trust. I am not undertaking to say they said it was a criminal trust or one in violation of the common law, if you please, but they did say, as a matter of fact, the arrangement did constitute a trust.

Mr. PARSONS. Well, Judge Madison, if you will tell me what you mean by a trust I will answer your question. There were trustees, and, as I think I heard the chairman say yesterday, that was enough to justify the designation of a trust. But what is the meaning of

that mere term "trust" is another question. It has become perverted into signifying a good many things.

Mr. MADISON. I realize that. I simply ask you whether or not, as a matter of fact, they did decide, or do in fact say, that the arrangement which was perfected under this deed constituted a trust, and that these parties were parties to a trust agreement?

Mr. PARSONS. Well, there was no question as to whether or not it was a trust. Here was an instrument which put property in the hands of trustees. There was not any dispute as to whether there was any trust in the legal signification of that term. That was not an open question. Of course, it was a trust, just as there is a trust if you were the trustee of a friend and held property in trust, then you are a trust in that sense of the term.

Mr. MADISON. There is no similarity in the two kinds of trust.

Mr. GARRETT. Let me call your attention to this specific language used:

It is quite clear that the effect of the defendant's action was to divest itself of the essential and vital elements of its franchise by placing them in trust, to accept from the State the gift of corporate life only to disregard the conditions upon which it was given, to receive its powers and privileges merely to put them in pawn, and to give away to an irresponsible board its entire independence and self-control. When it had passed into the hands of the trust, only a shell of a corporation was left standing, as a seeming obedience to the law, but with its internal structure destroyed or removed. Its stockholders, retaining their beneficial interest, have separated from it their voting power, and so parted with the control which the charter gave them and the State required them to exercise. It has a board of directors nominally and formally in office, but qualified by shares which they do not own, and owing their official life to the board, which can end their power at any moment of disobedience. It can made no dividends, whatever may be its net earnings, and must encumber its property at the command of its master, and for purposes wholly foreign to its own corporate interests and duties. At the command of that master it has ceased to refine sugar, and without any doubt for the purpose of so far lessening the market supply as to prevent what is termed "overproduction." In all these respects it has wasted and perverted the privileges conferred by the charter, abused its powers, and proved unfaithful to its duties.

Mr. PARSONS. I have no doubt you read correctly what appears in that opinion, and in very large measure that was the argument on our side, that the corporation had nothing to do with it; that there was no corporation about it; that the corporation had done all those things, and that the North River Co. was merely the Moller family, and that the pretense of corporation by the North River Co. was merely formal from beginning to end.

Mr. GARRETT. And the court in answering that contention, suggested that that amounted to an insistence that although Mr. Searles, who had become the corporation, was in violation of law, yet the figment called the corporation, was a robe, and that he must be permitted to continue the wear of the robe because it was pure, although he, in a corporate capacity, had become impure. That is the way the court answered that argument.

Mr. PARSONS. I do not remember anything about Mr. Searles being impure.

Mr. GARRETT. Well, I say, in a corporate capacity.

Mr. PARSONS. I do not remember anything of the kind, Mr. Garrett, and I am serious in what I say.

Mr. GARRETT. I did not mean for my question to reflect on him. I am really quoting the language of the court. The court did not say

Mr. Searles had become impure. The court said that the corporation of which Mr. Searles had become the sole owner had violated its right of existence under the charter, and gave it the full rigor of the law; that is, a sentence of death.

Mr. PARSONS. But is it not perfectly clear that upon the transaction as you have stated it, it was not a corporation; it was Searles? They said so, and we said so. We said because it was Searles, he could be a partner, and the court sustained the partnership idea up to the point of killing a dead corporation, and all that was left was burial.

The CHAIRMAN. They said they had committed suicide, and therefore sentenced them to death.

Mr. PARSONS. Don't you see, that even in an opinion of the highest court in this State, once in a while you can find a little buncombe?

Mr. GARRETT. The effect of that opinion, whatever it may have been predicated upon, was to bring about a dissolution of the organization formed under the trust of 1887, or the deed of 1887, whichever term you prefer to use.

Mr. PARSONS. Well, yes. I would not say it brought about a dissolution.

Mr. GARRETT. Well, I do not think, myself, that dissolution is the exact word. I think, perhaps, transition would be a better word.

Mr. PARSONS. Now, Mr. Garrett, do you not see that, after this decision and after we had learned what was taught us by the Supreme Court and by the Court of Appeals and knew how to meet these various technical points, there was formed the American Sugar Refining Co., which was, for all practical purposes, the same thing?

Mr. GARRETT. I see it perfectly.

Mr. PARSONS. Do you want to know how that arrangement was brought about?

Mr. GARRETT. It was formed under the laws of New Jersey.

Mr. PARSONS. It was formed under the laws of the State of New Jersey, because at that time New York was willing to let capital go from here to New Jersey. Later on, in a way, we taught New York how that was operating, and the outcome of that was laws passed by the State of New York to invite us back, and then we came back.

Mr. GARRETT. The essential thing was that the laws of New York at that time did not permit one corporation to own stock in another corporation, while the New Jersey laws did. Was not that the principal reason?

Mr. PARSONS. I have forgotten exactly about that, Mr. Garrett, but I know at that time, by a comparison of the laws of the two States, New Jersey was more liberal than New York in respect to corporate organization.

Mr. GARRETT. And it was a fact that at that time the laws of the State of New York did not permit one corporation to hold stock in another corporation?

Mr. PARSONS. Very possibly.

Mr. GARRETT. It was impossible to organize a holding company under the laws of New York at that time, was it not?

Mr. PARSONS. I have forgotten about that. I know very well that New Jersey did permit that, and I think that was one of the reasons. I think there was another.

Mr. GARRETT. There was another reason, and that was the matter of taxation, and taxation was a little lighter in New Jersey than in New York?

Mr. PARSONS. No; I do not think that had to do with the matter, because the property is real estate and is taxed at the place where it is situated.

Mr. GARRETT. I think the committee will be interested in knowing what was the other reason, Mr. Parsons.

Mr. PARSONS. I think the committee is interested, and I think the public is interested, and I think it is important because you gentlemen are here to aid the public interests, and I think it is important that the public should know. The reason was this: New York had put itself on record as being hostile to corporate organizations and corporate interests.

Mr. GARRETT. Through this opinion?

Mr. PARSONS. Oh, no; generally. It is a political question. New Jersey, a little bit of a State between Pennsylvania on one side and New York on the other, was wise enough to say that if Pennsylvania did not care to give a home to these large organizations, and if New York did not do it, New Jersey will; and New Jersey did, and became the most prosperous State, per capita, as I suppose, by reason of that hospitality.

Mr. GARRETT. Then, it was not only what was in the laws of your State, but the sentiment of your State as expressed in political platforms and otherwise?

Mr. PARSONS. Yes; and in one other mode. Now, I have the greatest regard for the press, and I have a little interest in a newspaper, but I do not get my information and I do not get my views on political subjects from the newspapers. I try to think for myself, but the newspapers are supposed to reflect a kind of public sentiment, and I think they had a good deal to say at that time on this subject, and we paid what they said the respect of depriving New York of the benefits which I could see and conferred them upon New Jersey until New York changed its system of legislation, and then was organized the American Sugar Refining Co. of New York.

Mr. GARRETT. That was a subsidiary of the American Sugar Refining Co. of New Jersey, was it not?

Mr. PARSONS. Well, I think subsidiary is the fair expression. It is rather a question of whether the cat swings the tail or the tail swings the cat. You may have it either way. The New York corporation became important through the fact that the largest factory property was a New York corporation. It was organized with a small capital—I think $5,000,000—which had no relation to the value of the property. There was not any water in it, and it was simply for practical purposes, so that the company might have its interests in a New York corporation.

Mr. GARRETT. What was the change made in the law just prior to the organization of the American Sugar Refining Co. of New York?

Mr. PARSONS. I do not remember the details, but I think they very largely conformed to what experience had determined to be wise.

Mr. GARRETT. I was wondering what specific or fundamental change there was beside amending the law so that one corporation could hold stock in another corporation.

Mr. PARSONS If you will let me tell you what I think and what I do not claim to remember, it will bear perhaps upon this point. I do not think that the American Sugar Refining Co. as of the period when the New York corporation was established, was, in respect of property in New Jersey or property in New York, the holding company.

Mr. GARRETT. The American Sugar Refining Co. of New Jersey was not at that time, you mean?

Mr. PARSONS. Was not in respect of any property in New Jersey or any property in New York a holding corporation. One of the first things I did after the opinion of the court of appeals and a general discussion of the subject, was to transfer the property of these various corporations to the American Sugar Refining Co.

Mr. GARRETT. And they became the actual owners of the property?

Mr. PARSONS. To-day.

Mr. GARRETT. And at that time of course they owned no stock in beet-sugar corporations, or any transportation corporation, or anything of that sort?

Mr. PARSONS. I think you will find this is the fact; that in any State where a foreign corporation was not permitted to hold real estate—you have already had your attention called to the fact that that is the law of Pennsylvania—it was impossible to transfer the property to the foreign corporation, but in every State where the property could be transferred to the principal corporation, that transfer took place. Now, I know it took place so far as Boston was concerned, because the Standard Co. transferred its property to the American Co. and became dissolved. The same was true of the New Jersey corporations, and the same was true of the New York corporations.

Mr. GARRETT. Leaving that subject for a moment, and going back to the organiaztion of 1887, how was the value of the properties that went into the organization fixed?

Mr. PARSONS. Well, I will tell you all I know upon the matter, and it is not much. Take for granted that every man who represented an interest that was to join, wanted the most he could get—call it anything you please—and when it was ascertained all around how much everybody wanted, and how much was left to go around, then they negotiated until they got down to a practical point. I do not see how anything else could have happened.

Mr. GARRETT. Well, in a considerable measure, they found out what everybody wanted.

Mr. PARSONS. I surmise so; I do not know.

Mr. GARRETT. And tried, as far as possible, to give it to them, did they not?

Mr. PARSONS. No; I should say the other way. I think they tried, as far as possible, to prevent his getting it. What I mean to say is this: I think that the organization as a whole wanted to get the individual properties on the best terms for the general interests as against what was in the individual interest.

Mr. GARRETT. Now, that is precisely what I want to know, what sort of standard of valuation was adopted, if you know?

Mr. PARSONS. I can not tell you from any knowledge. I can only tell you from my general view of the situation.

Mr. GARRETT. Well, that view of the situation was made up, I take it, from what you heard at the time. You may not have had personal knowledge, but you had some hearsay knowledge about it.

Mr. PARSONS. Well, I think, Mr. Garrett, that your question bears upon a point which has been frequently called to the attention of witnesses here. I am very sure that I heard Judge Madison asked questions bearing upon that point, and I think also Mr. Hardwick, as to what extent the question of physical valuations entered into it—bricks and mortar.

Mr. GARRETT. Bricks and mortar and machinery.

Mr. PARSONS. While I do not know, I should think that bricks and mortar would be a very poor test in determining what was the value of a sugar plant.

Mr. GARRETT. Of course machinery would go in as an element.

Mr. PARSONS. I mean anything that is physical.

Mr. GARRETT. Then what, in your judgment, would make up the elements of valuation of a sugar plant?

Mr. PARSONS. Well, if the Havemeyers & Elder plant, under suitable management, could turn out 10 per cent on $10,000,000 or $20,000,000, I should say that that was a matter to be taken into consideration in determining its value; what it could do under the administration that would be bought by an arrangement of this kind.

Mr. GARRETT. Well, the same thing was true of any other company, as well as the Havemeyers & Elder Co.?

Mr. PARSONS. I should think it would be so.

Mr. GARRETT. That is a general economic principle, of course.

Mr. PARSONS. That is all I am asserting. May I go one step further?

Mr. GARRETT. You may.

Mr. PARSONS. And say that you take the bricks and mortar in a refinery which is not operating and can not operate for any local or other reason, the property is worth less than the value of the land, because to get out of it the value of the land you have got to remove the bricks and mortar which contribute no value to it.

Mr. MADISON. Mr. Parsons, if you have the idea that my idea of the value of a plant is simply that of the bricks and mortar and the steel and iron, you are mistaken. My idea is that its value should be taken as a going concern.

Mr. PARSONS. I think, Judge Madison, that is exactly what was in the minds of all the gentlemen—what was the value of the property as a going concern.

Mr. GARRETT. Precisely.

Mr. PARSONS. And I was very much struck by an answer given by Mr. Oxnard when the question arose whether the Oxnards did not get a large amount additional to what was represented by the bricks and mortar, and he said that what was bought was the Oxnards.

Mr. GARRETT. Yes; he made that statement.

Mr. PARSONS. He made that statement, and you can not ignore it. Take any of these establishments—the Havemeyer family became interested in sugar refining more than 100 years ago, I suppose. Mr. Frederick C. Havemeyer, the father of Theodore A. and Henry O., was an original sugar refiner. When his oldest son, Theodore, came along he sent him to Germany, so he could learn everything that was known for the economical conduct of that business. When Henry O.

Havemeyer came along the same thing occurred, so they should know all about the business. Then there was the Donner and Decastro establishment, established by the most competent persons engaged in sugar refining. Now, when they came to deal with this question that was the situation. It was not a question of the bricks and mortar, but what the property could earn.

Mr. GARRETT. I am sure, Mr. Parsons, that any man with any business judgment at all would agree with you in that.

Mr. PARSONS. I am very glad to hear you say so, Mr. Garrett.

Mr. GARRETT. I do not think any member of the committee has had any idea that the value is absolutely predicated on the value of the bricks and mortar and machinery. We are certainly aware of the fact that there are many elements entering into that proposition. Of course the bricks and mortar and machinery are elements that enter into it and constitute a part of the value, but what Judge Madison was seeking, I think, and what the other members of the committee have sought in the questions put to witnesses was to find out, as nearly as possible, what the various elements of value were and what sort of standard was adopted for fixing the valuation of the properties that went into the Sugar Refineries Co.

Mr. PARSONS. If you care to hear some views which I entertain upon the subject, I shall take great pleasure in expressing them.

Mr. GARRETT. Yes; if those views are made up from facts known at the time.

Mr. PARSONS. I think, Mr. Garrett, when this organization was considered the situation was this: Here were two or three large establishments under very able management, able to make very profitable returns, and under given possibilities, perhaps, in the end to acquire for individual benefit the lesser concerns. Now, that would be the outcome of what has been called here, as I think—I do not remember the exact expression—wildcat competition.

The CHAIRMAN. "Cutthroat competition" was the expression used.

Mr. PARSONS. Yes; cutthroat competition. A great deal has been said here about Henry O. Havemeyer. I am not here to eulogize him. I am here to tell you what I knew about the man and what sort of man he was, and I am not here to be led away by any sort of idea of putting a responsibility upon him which was shared by everybody else. Mr. Henry O. Havemeyer was in that situation, and with those qualifications, which I think he would have been willing to consider, his individual interests alone would have resulted in the Havemeyer & Elder acquiring these lesser refineries, and instead of a general interest, with everybody faily taken care of, we would have had one important, selfish, individual interest, which I do not think was in his interest, and I do not think was in the public interest; and I think he recognized that in being willing to go into this arrangement; and I think the same is true of all the others. I think it was true of Capt. Thomas and Mr. Matthiessen and Mr. Searles. And, as bearing upon this question, I think you have read the testimony given before the Senate committee, and there I learned—and I do think you gentlemen, as our Representatives—because you are our Representatives, and you are going to make laws for us—ought to consider that during the twenty-odd years prior to this organization, under what may be called cutthroat competition which at that time existed, 18 refineries had gone down, and their

operatives had been turned into the street and their proprietors had become bankrupt. Now, I do not think that is a condition that ought to be favored.

Mr. GARRETT. Now, in acquiring or in forming this organization—because you can hardly say acquiring the property——

Mr. PARSONS (interposing). Mr. Garrett, I think that is the word, "acquiring" the property. On the question of whether you bought or combined, you can easily see there is a difference in the statement.

Mr. GARRETT. Yes; and it was combining and not acquiring?

Mr. PARSONS. It was acquiring.

Mr. GARRETT. Every man who went into it came out owning just what he put in, and no more.

Mr. PARSONS. As a general proposition, I assume yes. It was not like going to a stranger and saying, "I will give you $100." That is a purchase. It was a union of interest, and each man got out of the common interest what he could.

Mr. GARRETT. In other words, he got trust certificates representing the property he put in?

Mr. PARSONS. Absolutely.

Mr. GARRETT. And he got no more than what he put in; that is, so far as actual tangible property was concerned, his interest in physical properties and in good will and all that was no greater than that which he put in; but in so far as those things were represented by dollars and cents, or by scrip, or certificates, or whatever they may be called—I think certificates is what they were called in this case.

Mr. PARSONS. Yes; certificates.

Mr. GARRETT. The dollar value of those certificates was, in many instances, greater than the dollar value of that which he put in?

Mr. PARSONS. Upon that subject I have no knowledge. I want to follow your line of questioning if I can.

Mr. GARRETT. Then I will give you a specific illustration. You know, for instance, that Mr. Searles paid $350,000 for the North River Sugar Refining Co., the stock and the real estate, and that the Mollars evidently were satisfied to take that amount. That represented a value of $350,000. When it went in the trust he received a dollar value of $700,000.

Mr. PARSONS. The figures are not in my mind at all, but I think I agree with what I understand to be your proposition, to the extent that what was received was a certain share of a total whole—so many certificates representing a certain assumed pecuniary value as part of a $50,000,000 total value.

Mr. GARRETT. In other words, they estimated the value of the property that each constituent put in at so many dollars, and issued him certificates representing that many dollars?

Mr. PARSONS. If you include in what he put in, the bricks and the mortar and everything else which gave to that property value, I answer yes.

Mr. GARRETT. Do you know whether it is true that in every instance, the 17 companies, corporations, or partnerships—in fact, just in this connection, all of the companies or partnerships became corporations before the consummation of this organization of 1887, did they not? It was provided in the deed that they should?

Mr. PARSONS. The deed provided they should, and I assume they did. That it was so, as a matter of fact, I can not recall. Do you wish to know the reason?

Mr. GARRETT. Well, yes; I think so.

Mr. PARSONS. The reason is applicable to that particular transaction and to similar transactions on a larger scale. It was for the purposes of division. You could not divide a refinery. If George Moller and Peter Moller were interested in the North River Co., you could not say, "Here, George, you take half; and you, Peter, take half," but you could incorporate the North River Co. with so much stock and give Peter half and George half; and you gentlemen may be interested to know that since these large organizations, a very usual course adopted is to create a corporation simply with reference to division. Take, for example, one of these cases, a family refinery, and the father dies. What is going to be done with the refinery? Girls to succeed! Can they run it? Minors to succeed! Can they run it? But if it is put into a corporation, then the interest can be divided up, and it can be operated in a practical way to continue the business in the interest of all concerned, and I think you have experienced that that thing is going on continually, and I think it is very much to be commended.

Mr. GARRETT. Now, I ask you if in every instance there was not issued to the constituent companies of the organization of 1887 certificates of that organization representing dollar-and-cents value, in many instances far in excess, and in other instances not so far in excess, but in every instance to a considerable extent in excess of the dollar values put in. In other words, was there not put into that organization a great deal of water?

Mr. PARSONS. That depends upon what you call water. If the valuations at which these properties were bought were justified—I mean to say if anybody would have been very glad, on the basis of that valuation, to be interested in dollars and cents because there would be an adequate return for his investment—then, when that property was transferred to somebody else I do not call it water. I call water when, on the basis of possibility of business, and nothing else, you have got a million of dollars, you turn it into twenty millions of dollars, then you have got water. But if what constitutes the value justifies itself and will pay on a fair basis, then comes the question of what is water. Now, Mr. Garrett, if what you want to know is whether all of those properties could have been sold in the open market for dollars and cents in the basis of $50,000,000, by no means. Nobody would assert anything of the kind. It would be impossible.

Mr. GARRETT. Would you object to giving your estimate of what they could have been sold for?

Mr. PARSONS. Well, I would not have paid anything for them.

Mr. GARRETT. Why?

Mr. PARSONS. Because if I had undertaken to run them I would have been ruined in 15 minutes.

Mr. GARRETT. You did not want any sugar business?

Mr. PARSONS. I wanted sugar business if it would pay, but it would not pay under my administration.

Mr. GARRETT. Of course, when a man does not want anything, it is not worth anything to him. We all know that it is not a fair test

of the fair value of a thing to ask a man what he would give for it. What, in your judgment, would have been the fair market value for those properties at that time?

Mr. PARSONS. You mean sold between strangers?

Mr. GARRETT. I mean in the ordinary course of business.

Mr. PARSONS. I am utterly incompetent to say.

Mr. GARRETT. To a man who understood the business and wanted a business of that kind, what would have been the fair market value?

Mr. PARSONS. I have not the remotest idea. It would depend upon what the property could be made to produce, and if I had been in the business and wanted one of those properties and could see that on any valuation I could get 10 or 15 per cent, I would have paid that valuation.

Mr. GARRETT. As a matter of fact, when these trust certificates were issued, were they bought and sold on the Exchange here?

Mr. PARSONS. I think so.

Mr. GARRETT. Do you know what they brought?

Mr. PARSONS. Oh, I think at the beginning they brought very much less than later on. But that is more surmise than anything else. On the question of the market value of the certificates and of the market value of the stock, if you wish to know, I can tell you some things that later occurred.

Mr. GARRETT. After the organization of the American Sugar Refining Co.?

Mr. PARSONS. No; before.

Mr. GARRETT. Very well, sir; you may tell us about that now.

Mr. PARSONS. When this organization started there were wide differences of opinion as to what the outcome would be. Some persons thought yes and some persons thought no. Now, there were some parties who had been trying to get out of the business. I have in mind these very Mollers who wanted to get out of the business, and there were others, and they did get their certificates and got out.

Mr. GARRETT. The Mollers never got any certificates.

Mr. PARSONS. Oh, I only mention their names by way of illustration. They had the opportunity of getting them, but I mention them merely by way of illustration.

Mr. GARRETT. Yes; I understand.

Mr. PARSONS. Take Mr. Oxnard, because I think in his case that very thing did occur. Persons who were interested wanted to get out. Now, they would sell their certificates for what they could get and after awhile the certificates reached the market. Now, how anybody from what Wall Street does can determine about values is a mystery beyond me. I think it is not a question of what Wall Street does. There came a time when Wall Street recognized that sugar stock, whether certificates or stock of the company, was a good thing to put up and down in the market, and I remember that I was very much opposed to having either the certificates or the stock go upon the market, because, in my opinion, prices on the market bear no relation to intrinsic or actual value. Now, all this is preliminary to what I think you want to find out—that at the beginning the price was very much less than it eventually became. It was very much less, but when you come to figure, I do not know. Now, in the end, persons saw that here was a combination, not

merely a property, but a combination of the best sugar ability then in the world. Persons woke up to what was the real value and then were only too glad to become participants in the investment.

Mr. GARRETT. Now, was there a board for valuation of these properties at the time the company was in process of organization?

Mr. PARSONS. Do you mean an organization to which was referred such questions?

Mr. GARRETT. Yes; anything of that kind.

Mr. PARSONS. Not that I ever heard.

Mr. GARRETT. There was no body of physical arbitrament on those things?

Mr. PARSONS. I can tell you how I think the matter occurred. Take Mr. Matthiessen's case. Mr. Matthiessen had a New Jersey refinery. Matthiessen & Wiechers was the firm name. Now, Mr. Matthiessen wanted to get as much as he could, and while I do not know the fact, I assume everybody wanted to get as much as he could, and if possible more. Now came the question of what Mr. Matthiessen could get. Well, he talked first to Mr. Searles in reference to the matter, and then, I assume, Mr. Searles spoke to the Messrs. Havemeyer in regard to the matter. But there was not any board or tribunal, if that is what you mean, to say to Mr. Matthiessen, "You shall get so much and no more." They reached it in the same way in which you reach the price at which anything sells.

Mr. GARRETT. They had, of course, agreed on values in advance of signing the instrument, had they not?

Mr. PARSONS. Oh, I assume so. Now, you will be surprised, perhaps, to hear the fact, but so far as I can now recall I had never had anything to do with the valuations and never knew what they were.

Mr. MADISON. How is that?

Mr. PARSONS. I never had anything to do with this question of values, and I can not recall that I knew them. I was a lawyer, and I was preparing an arrangement upon the basis of which these people could dicker between themselves. I did not care anything about what went to A, B, C, and D, so far as I now recall.

Mr. GARRETT. Were there any preliminary writings, any formal instruments drawn up preliminary to this deed?

Mr. PARSONS. I do not think so.

Mr. GARRETT. This deed carried into writing the parole agreement and was the only writing you remember?

Mr. PARSONS. It is the only one I remember. Oh, I have the impression that it may have been as an original draft changed and changed and changed, but there was never any outside or separate paper of which I have ever heard.

Mr. GARRETT. Mr. Parsons, do you know where the district attorney, Mr. Wise, obtained this exhibit or a copy of this deed?

Mr. PARSONS. Well, I can imagine. There is a copy of it in the report.

Mr. GARRETT. It was never recorded, was it?

Mr. PARSONS. Never, that I know. No; it was never recorded. Mr. Garrett, I think I know how Mr. Wise got it. I think that there is a footnote to the opinion of the general term, which gives a copy of this deed.

Mr. GARRETT. The original deed was in your possession quite a while, was it not?

Mr. PARSONS. Well, in the possession of my office. I suppose you would call it in my possession.

Mr. GARRETT. The deed itself provided that it should be turned over to the president of the board, did it not?

Mr. PARSONS. I do not remember.

Mr. GARRETT. I think it did; but, as a matter of fact, you, as counsel for the company, were in physical possession of it for a long time?

Mr. PARSONS. I think so.

Mr. GARRETT. Now, Mr. Parsons, was there not with that deed an exhibit giving a schedule of the valuation?

Mr. PARSONS. Is there any such thing there?

Mr. GARRETT. No; not here.

Mr. PARSONS. I do not remember it. I doubt it. There may have been a schedule giving the amount that each interest was to receive.

Mr. GARRETT. That is what I mean.

Mr. PARSONS. There may have been a paper of that sort. I have just said that I can not recall that I knew what the several amounts were. Mr. Garrett, of course there was some way of having it appear how much everybody was to receive.

Mr. GARRETT. There must have been a memorandum somewhere showing in writing those figures.

Mr. PARSONS. Oh, undoubtedly.

Mr. GARRETT. That seems reasonable to any business man.

Mr. PARSONS. Oh, certainly. I will tell you why I have no doubt that was done. I think the outcome of it was that Mr. Searles and Mr. H. O. Havemeyer, or persons appointed by them, attended to the distribution of these certificates, and I presume it conformed to the arrangement made by the various parties.

Mr. GARRETT. To refresh your recollection, Mr. Parsons, may I read here from testimony given by yourself before the Committee on Manufactures, a committee of the House of Representatives of the Fiftieth Congress, in which, after stating your name, residence, and occupation, you were asked:

You are one of the trustees named in an agreement or deed created by the Sugar Refineries Co., so called?—A. There is a deed or agreement to which the question of the chairman refers, which creates a board called the Sugar Refineries Co. I am not a trustee named in that agreement. I am a trustee through the fact that one of the members of the board mentioned therein subsequently resigned, and I took his place.

Q. Have you the deed or agreement in your possession?—A. I have an exact copy of the original deed or agreement, complete in all respects, with the exception that the original deed distributes the entire capitalization among the various persons interested. That portion of the deed has been regarded as private and as not having any bearing or relation to legislation, and the board has not authorized the production of that portion of the deed. The board has authorized me to produce the deed complete in other respects.

Mr. PARSONS. That corresponds with my recollection. When was that testimony given?

Mr. GARRETT. In 1888.

Mr. PARSONS. My memory was fresh then, and that corresponds precisely with my present recollection, except I have forgotten that I became substituted for one of the trustees.

Mr. GARRETT. Now, since your memory has been refreshed on that point, can you state what became of that particular part which was not produced there?

Mr. PARSONS. I can not. I can not remember that it was ever in my possession.

Mr. GARRETT. Of course it would seem from that testimony that it was in some way attached to the deed, either as an exhibit or as a part of the deed.

Mr. PARSONS. I do not draw that inference. I draw the other inference. Still it is a mere matter of inference.

Mr. GARRETT. You say "with the exception that the original deed distributes the entire capitalization among the various persons interested. That portion of the deed has been regarded as private." It may have been a part of the deed or an exhibit.

Mr. PARSONS. It may have been a part of the deed or separate.

Mr. GARRETT. Evidently there was some such paper.

Mr. PARSONS. Yes; there was something that specified how much everybody was to get.

Mr. GARRETT. But you can not give us now any information as to what became of that paper or where it is?

Mr. PARSONS. No; I can not.

Mr. GARRETT. The chairman of the committee calls attention to the fact that you testified before the Lexow Committee, a committee of the State Senate of New York, that there was such a paper and that you had lost it or were unable to find it.

Mr. PARSONS. I do not believe I said I lost it.

The CHAIRMAN. We will call your attention to that later.

Mr. PARSONS. It never was properly in my possession, as you see. It was to be put in the possession of the president. Is not that what the paper states?

Mr. GARRETT. The deed states that it was to be put in the possession of the president; but as a matter of fact, from your testimony, it was for years in your possession.

Mr. PARSONS. Down to a certain time the signed paper was in my possession, and the doubt I have is whether these specifications appear there or not. I have no information upon the subject in addition to what I had when I was examined in Washington and before the Lexow Investigating Committee.

Mr. GARRETT. Of course, I do not wish to quibble with you about it. It was evident from your testimony there that the deed was in your possession, and you really produced the deed there at that hearing.

Mr. PARSONS. Yes; that is so.

Mr. GARRETT. I can see very readily why it would be in your possession. I presume most every lawyer has some papers of his clients in his possession, and very properly so.

Mr. PARSONS. My attention is called to the fact that I said there that a copy was in my possession, because I produced a copy there.

Mr. GARRETT. The statement is here, "There is a deed or agreement to which the question of the chairman refers."

Mr. PARSONS. However, I can add nothing, Mr. Garrett, to what I said there.

Mr. GARRETT. You are correct about that. You said "I have an exact copy of the original deed or agreement, with the exception," and so on. But there is this further statement. You were asked:

Have you the original deed in your possession?—A. The original deed is in my office in New York.

It seems that you carried with you to Washington an exact copy of that deed except the exhibit which had not been authorized by the board to be made public. There you were asked:

Under your control and in your cutody?—A. Not under my control. The deed described is under the custody of the board, but the deed I think has never been in the possession of the president. It was drawn by me, and since the time of its preparation during most of the interval, it has been in my possession. It may from time to time have been out of my possession for special and temporary purposes. In the main it has been in my possession, however, under the authority of the board.

Now, when the American Sugar Refining Co. was created, did the papers and books of the Sugar Refineries Co. pass into the possession of its officers?

Mr. PARSONS. Of course I have no personal knowledge on the subject; but books which pertain to the business, I should think, would have gone to the company.

Mr. GARRETT. Now, I think, we are ready to take up the question of the formation of the American Sugar Refining Co. Were you of counsel in that matter?

Mr. PARSONS. I was.

Mr. GARRETT. Were you the sole counsel, or were others associated with you?

Mr. PARSONS. When I say I was counsel, I mean my law firm. Whether at that time I was alone or whether it was my law firm I can ascertain, but I do not happen to recall just now.

Mr. GARRETT. Well, you personally gave attention to that work?

Mr. PARSONS. Oh, undoubtedly.

Mr. GARRETT. And drafted the charter, perhaps?

Mr. PARSONS. No; I think I did not.

Mr. GARRETT. Do you know who did?

Mr. PARSONS. This is a guess. I knew about it, and I was consulted about it; but I should presume that the handiwork—well, I do not like to guess about it. But somebody in my office prepared it, and I am responsible for it. I think this is what happened about that matter, Mr. Garrett. This was a New Jersey corporation, and I was a New York lawyer; and I think somebody in my office consulted with lawyers in New Jersey, and the outcome of it was the submissio to me of that charter, which I approved.

Mr. GARRETT. Now, a few moments ago, when I interrupted you, you were giving us the story of the organization of the American Sugar Refining Co.; and I would be glad if you would do that now, in your own way, without questioning from me.

Mr. PARSONS. The decision of the court of appeals in the North River case led to the question of what next to do. Here was a combination of property, and I have always gone upon the idea that no power known to the law could undo that combination of property, and the question was how it was to be represented. It had been represented by certificates of interest in the so-called trust. The change was that it became represented by certificates of stock of the American Sugar Refining Co., and while I do not happen to remember the exact process, I assume that everybody handed in his certificates and got a corresponding amount of stock, and in that way he became a stockholder of the American Sugar Refining Co. Then what remained was the question whether the situation should be a holding

situation, whether the American Co. should continue these separate corporate organizations and hold their stock, or whether the property should be absolutely transferred. The interests on either theory were identical, but I made up my mind the proper thing was absolutely a transfer of the property, and it was done in every case except the railroad property, where the law prevented.

If I did not tell you this you may have been misled. Prior to this point all sorts of things happened.

Mr. GARRETT. What were those things?

Mr. PARSONS. The powers that be did not let us alone. They kept the ball rolling, and one of the processes known, which I do not think is exactly in the public interest, but nevertheless is known to the law, is a receivership. Before Mr. Havemeyer died that company had gone through every experience of which I can conceive that a property interest can go through, and it had come out in the end victorious, and the condition was one of absolute peace. If you want to know these details of processes I will tell you.

Mr. GARRETT. All right, sir.

Mr. PARSONS. One was a receivership. I fought against it.

Mr. GARRETT. Was that prior to the organization of the American Sugar Refining Co.?

Mr. PARSONS. It was prior to the acquisition by the American Sugar Refining Co. of these properties, and if I recall——

Mr. GARRETT (interposing). After its organization, but before the property transfer?

Mr. PARSONS. I am not sure about that. I think the transfer was organized in the American Sugar Refining Co.—yes; it was organized in the American Sugar Refining Co. What is in my mind is that we had to wait until we shook off all these proceedings before there was consummated the final move, which was the transfer of the properties to the ownership of the American Sugar Refining Co.

Mr. GARRETT. The receivership was one? You say there were others.

Mr. PARSONS. One was an injunction. I remember there was an injunction. I went before a judge of the court on the question of whether it was in the public interest to stop the business of sugar refining.

Mr. GARRETT. At what place was that injunction leveled?

Mr. PARSONS. "Here is an illegal corporation, and the law requires that it shall stop business," and we said, "Yes; stop business; do you want to turn 10,000 employees out of work," and so on. I think that the——

Mr. GARRETT (interposing). You mean they sought to enjoin them from operating their plant?

Mr. PARSONS. That is my recollection.

Mr. GARRETT. To enjoin the physical operation of the plant?

Mr. PARSONS. Something of that kind. I do not know how far it went exactly, but I do remember appearing in court on some injunction proceeding, and the court recognized it was against public interest to enjoin, and I think that there was no injunction, or if there was an injunction it was merely a preliminary injunction and was set aside.

Mr. GARRETT. May I ask just here what became of the North River stock, or rather the certificates that represented the North

River Refining Co.'s stock, in this reorganization? It had been executed by the courts of your State after there were certain certificates of the organization of 1887 outstanding, representing it.

Mr. PARSONS. I can give you a guess, Mr. Garrett.

Mr. GARRETT. You do not know about that?

Mr. PARSONS. My guess would be that at the beginning the entire $50,000,000 of certificates were not issued, and that when the American Sugar Refining Co. was formed the entire $50,000,000 of stock was not issued. With a very considerable amount remaining in what is called the treasury, I should assume that if the North River interest had been paid for in cash, the certificates which represent it probably remained. That is a surmise. I could verify that if you desire.

Mr. GARRETT. That was paid for in cash by Mr. Searles.

Mr. PARSONS. That I do not know.

Mr. GARRETT. The opinion of the court in the case states that, and if I am not mistaken, though I may be mistaken as to this, the court found as a fact there that he really did not buy it for himself, but as agent for somebody else, so his principals were not disclosed. I was wondering how his principals, whoever they were, got that $350,000 back.

Mr. PARSONS. I have no information on the subject.

Mr. GARRETT. Just there, and in connection with your statement that not all of the stock was issued, of course, there was a reservation of 15 per cent in every instance in the Sugar Refineries Co. Do you mean that more than that was reserved probably—that not all of that had been issued by the time the dissolution, if it may be so called, of the Sugar Refineries Co.?

Mr. PARSONS. I have no knowledge, but on your assumption that the North River interests were paid for in cash it would rather seem to me the equivalent represented by certificates would remain in the treasury.

Mr. GARRETT. If it was paid for in cash by the Sugar Refineries Co.?

Mr. PARSONS. Yes; or in its interest.

Mr. GARRETT. So far as I know, while I might have a guess or suspicion about it, it is not known who really did pay for it. The court does state that Mr. Searles was representing the parties whose names are not disclosed in its purchase. My guess would be that it was the Sugar Refineries Co., but, of course, I do not know about that.

Mr. PARSONS. Well, that would be my guess.

Mr. GARRETT. That stock, that being the case, of course, would not have been issued, but would have laid in the treasury?

Mr. PARSONS. That would follow.

Mr. GARRETT. In the treasury of the Sugar Refineries Co.?

Mr. PARSONS. That would follow.

Mr. GARRETT. I overlooked a moment ago asking you about the use of the 15 per cent reserve in the Sugar Refineries Co.'s stock. Do you know how much of that was used, and for what purpose?

Mr. PARSONS. I do not.

Mr. GARRETT. Do you know whether any part of it was used in acquiring any other refineries?

Mr. PARSONS. I do not know.

Mr. GARRETT. The deed authorized that that might be used in acquiring other refineries?

Mr. PARSONS. I have forgotten it.

Mr. GARRETT. I was wondering about that provision being made in the deed, because if other refineries were acquired, it would seem it would have been very easy to have placed the valuations in those other refineries, as was done in the case of the 17 that did go in.

Mr. JACOWAY. You said 15 per cent; do mean that, Mr. Garrett?

Mr. GARRETT. Yes; 15 per cent of the stock or the trust certificates were reserved in every instance, and it was stated in the deed that it should be so done for the purpose of operating capital and for acquiring other refineries. I think those are the two purposes stated in the deed.

I presume a portion of it was used for operating capital, Mr. Parsons?

Mr. PARSONS. I think that is a fair inference.

Mr. GARRETT. But as to your knowledge, you can not say? Is that correct?

Mr. PARSONS. It was 24 years ago. It is difficult for me offhand to say. I can not recollect. I have no present recollection.

Mr. GARRETT. As a matter of fact, between the time of the organization of this Sugar Refineries Co. and its dissolution or transition or whatever it may be termed, were there any others than the 17 refineries acquired that went into it?

Mr. PARSONS. I have no such recollection.

Mr. GARRETT. Do you know whether any efforts were made during that time to acquire others?

Mr. PARSONS. I was reminded, by a resolution that was read here yesterday, of action by Mr. H. O. Havemeyer, and——

Mr. GARRETT. Pardon me; I am referring to the time of the existence of the Sugar Refineries Co.

Mr. PARSONS. So am I. It may be that in the services which are mentioned there were embraced periods of time which antedated the formation of the American Sugar Refining Co.

Mr. GARRETT. You refer to a recitation in the minutes of the company, the resolution offered by yourself, to pay Mr. H. O. Havemeyer $100,000 for certain services in acquiring refineries?

Mr. PARSONS. If you will read that resolution, you will find that it is based upon a report, if I remember correctly, made by Mr. Havemeyer, the exact language of which I do not recall.

Mr. GARRETT. That was the substance of it. You did make a motion there in the meeting——

Mr. PARSONS (interposing). It was compensation for extraordinary services he had rendered, which had been rendered by him, and no specification how far back. It may have gone back to a time anterior to the formation of the American Sugar Refining Co. I do not know.

Mr. GARRETT. You do not know as a fact how that is?

Mr. PARSONS. I do not know now. But I have not any doubt about this—that from the beginning, or from the formation of the Sugar Refineries Co., so called, if there was any conference or casual meet-

ing between any of the persons who were in and any of the persons who were not in the organization, there would be talk about it.

Mr. GARRETT. Can you state whether or not it was the desire of those who were the controlling spirits in the formation of the Sugar Refineries Co., to bring all the refineries in the United States into that company, if possible, or was it limited to a specific territory? Do you know what the facts are with regard to it?

Mr. PARSONS. I am merely thinking over whether I had any knowledge upon the subject. The inference I would draw upon the subject would come from what happened in connection with the acquisition of the Philadelphia refineries. I would assume that what took place in respect of that transaction would have been in the minds or in the wish of all concerned. Now remember that according to the decision of the Supreme Court of the United States in that case——

Mr. GARRETT (interposing). You refer to the Knight case?

Mr. PARSONS. I refer to the Knight case—when the Philadelphia refineries had been acquired there was represented in interest of the entire sugar industry 98 per cent, I think. I assumed that what had been brought about was desired to be brought about, and that the gentlemen who did accomplish this result knew what they were about and intended to do it, and the court held it did not violate the law.

Mr. GARRETT. And you think that was in the minds of those of the controlling spirits from the beginning?

Mr. PARSONS. I do not believe they cared very much about it. I think there came a time when the outsiders wanted to get in. But here we are speculating as to what was in the minds of persons, and how can we tell?

Mr. GARRETT. Why do you think there came a time when outsiders wanted to get in?

Mr. PARSONS. What happened when Mr. Spreckels started to wage war on the company?

Mr. GARRETT. Let us see. Who began that fight?

Mr. PARSONS. Oh, Spreckels. Spreckels belonged on the Pacific coast, and he came to Philadelphia.

Mr. GARRETT. Where did the American belong?

Mr. PARSONS. The American Sugar Refining Co. belonged on the Atlantic, and stuck there so far as I know.

Mr. GARRETT. Did it go to the Pacific?

Mr. PARSONS. It went to the Pacific at some time, but just when in the history of this organization I do not recall.

Mr. GARRETT. Did not the American Co. go over to the Pacific before Mr. Spreckels got to Philadelphia?

Mr. PARSONS. Possibly; very possibly. I should think it was a good business proposition, by reason of the advantage that Spreckels had in connection with the Hawaiian sugar, that the American Co. should go and try to get a share of that advantage. Why should Spreckels have it all to himself? I believe, don't you see, in competition.

Mr. GARRETT. I understood you to say the American belonged on the Atlantic?

Mr. PARSONS. The American belonged on the Atlantic.

Mr. GARRETT. But it had a right to roam a little?

Mr. PARSONS. The American belonged on the Atlantic and Mr. Spreckels belonged on the Pacific; but I know of no——

Mr. GARRETT (interposing). But when the American roamed to the Pacific reciprocity was in order, and everything Mr. Spreckels——

Mr. PARSONS (interposing). Are you for reciprocity?

Mr. GARRETT. I am; and evidently Mr. Spreckels thought it was a pretty good thing, because he immediately proceed to roam to the Atlantic.

Mr. PARSONS. There happened exactly what I thought always would happen. I think if you will examine every standard writer of economics you will find that the situation is in this condition: "Hands off; no interference; let trade take care of itself, and then there will result a competition and the country will get the product at the lowest possible rate." I can demonstrate that to you, or anybody that reads the subject and thinks about it, that in proportion as that friction is created there are impediments, and the only sufferer will be the general public.

Mr. GARRETT. That is generally true. Do you mean to apply that general principle to Mr. Spreckles's visit or his invasion of the Atlantic coast territory?

Mr. PARSONS. Precisely. If the American Sugar Refining Co. could not produce sugar at a price so low as to make it unprofitable for Mr. Spreckels to come to the Atlantic coast, let him come to the Atlantic and make them put the price down.

Mr. GARRETT. He, of course, had a right to go?

Mr. PARSONS. I do not know any reason why not. Please keep this in mind—that the organization of the American Sugar Refining Co. and this predecessor, the trust, so called, left the whole world open to come in.

Mr. GARRETT. Do you know whether or not, when the Sugar Refineries Co. was organized, there was any talk about attempting to get Mr. Spreckels into it?

Mr. PARSONS. I heard nothing of the kind. Let me think for a moment. That is the older Spreckels?

Mr. GARRETT. Yes; the Pacific coast interest.

Mr. PARSONS. I have sort of an idea I heard somebody say, "Spreckels is a hard nut: let him alone." [Laughter.]

Mr. GARRETT. Do you know whether that expression of opinion in regard to Mr. Spreckels grew out of any efforts to get him into this organization and that he did not take to it very kindly? Do you know anything about that?

Mr. PARSONS. No. This was a casual remark. I do not know that I could fix it upon anyone, but Mr. Spreckels is a gentleman who kept things going, and it was heard of through the newspapers and elsewhere, and when the sugar people talked I think it is very possible something was said about Spreckels, and I think the general idea was that the elder Spreckels, and I know that the idea in respect of some of the younger Spreckels is, that they will take care of their end of the line

Mr. GARRETT. The American Sugar Refining Co. did go over there and open the fight on Mr. Spreckles, as it had a right to do, and Mr. Spreckles, in retaliation, came East and built a refinery at Philadelphia. That is a historical fact, and there was a pretty fierce war between those interests for a time.

Mr. PARSONS. That would correspond with my recollection, although with reference to the California situation I have never had very much information, and have had very little knowledge except in respect of one particular transaction, which I can state if you desire.

Mr. GARRETT. We will be glad to have it.

Mr. PARSONS. The American Sugar Refining Co. must have had some interest in San Francisco, or there could not have occurred that to which I refer. How that interest was represented, whether it was by stock or by refinery or just how, is not clear in my mind.

Mr. GARRETT. May I just there refresh your recollection?

Mr. PARSONS. It is immaterial to the point I am stating, because the substance was that the American Sugar Refining Co. was interested in refining on the Pacific coast, and some did not like it. I suppose it was Spreckles who did not like it. But I do know that somebody, and I should imagine it may have been the other Spreckels, got an injunction from a judge to put the American interests out of business on the Pacific coast.

Mr. GARRETT. As a corporation?

Mr. PARSONS. In some way or other.

Mr. GARRETT. And under the California laws that was accomplished?

Mr. PARSONS. I will tell you what happened. I have not finished my story.

Mr. GARRETT. All right, sir.

Mr. PARSONS. Then there happened what gave me a very high opinion of the California bar, and particularly of the representative of the American interest. I wish I could remember the name of the gentleman. Perhaps Judge Raker knows who in San Francisco represented the interest of the American Co. He and those associated with him did what I did not think could have been done here by any law of which I know—apply to the highest court of appeals. I am stating the thing as it is in my mind, and I think correctly. They applied to their highest court of appeals to stop the lower court and the lower judge from enjoining this industry; and I referred to the matter in my brief in the Knight case, that the outcome was, if the action of the lower court had stood, the court was creating a monopoly. In other words, here was the court, in the exercise of equity powers, giving the entire business to the adverse interests and turning the American Co. and its operatives out of business.

Mr. RAKER. The court appointed a receiver, did it not? The court appointed Mr. Reddy, the lawyer, as receiver.

Mr. PARSONS. What I have always said was that they, the several thousand operatives, enjoined the receivership refinery, made it understood by the court that they were the fellows who were suffering, because they were turned out of the means of earning their daily bread; and the outcome of it all was that the lower court was enjoined or prohibited or something of that kind.

Do I state it correctly, Judge Raker?

Mr. RAKER. Practically. They started off to deprive the corporation of its power, and then a receiver was appointed. From that the matter went to the Supreme Court and they overturned the whole proceeding on the ground you could not appoint a receiver

for a corporation in attempting to dissolve it in that way, and Reddy was held up by injunction from proceeding as receiver.

Mr. PARSONS. In my brief in the Knight case I referred to that as showing the outcome of what I regard as vicious legislation; that the effect was to prevent thousands of persons from earning a living.

Mr. GARRETT. The name of that company was the American Sugar Refinery Co. That was the California corporation, and after those legal proceedings—the upshot of the legal proceedings was that that corporation as a corporation dissolved—and then the business was taken over and run in the name of Havemeyer & Elder.

How many plants, Mr. Parsons, had been closed down between the date of the organization of the Sugar Refineries Co. and the American Sugar Refining Co.?

Mr. PARSONS. I have no knowledge.

Mr. GARRETT. You know there were some?

Mr. PARSONS. I do not know that.

Mr. GARRETT. For instance, you know the North River was closed down? That is one I think of just now.

Mr. PARSONS. I do not know that that was running at the time of the original organization.

Mr. GARRETT. Probably it was not; that may be true, but it never did run after the organization?

Mr. PARSONS. It never did run.

Mr. GARRETT. Do you know how many plants were in the company when the American Sugar Refining Co. was organized—how many plants were in operation?

Mr. PARSONS. I have no present knowledge. That is a fact that can easily be ascertained.

Mr. GARRETT. My colleague, Judge Raker, suggests a question growing out of the remark of yours a few moments ago as to the companies that went out of business from 1870, or during a period of 20 years prior to the organization of the Sugar Refineries Co. You stated, I think, that there were about 20?

Mr. PARSONS. My recollection is that in the evidence before the committee, to which we referred, the number was stated to be 18.

Mr. GARRETT. Do you remember some of those companies?

Mr. PARSONS. I remember one very well indeed.

Mr. GARRETT. Which one was that please?

Mr. PARSONS. And I remember it for a reason. What the name may have been I do not recall; but the interests were those of Messrs. Booth & Edgar.

Mr. GARRETT. Where were they located?

Mr. PARSONS. I do not know where the refinery was located, but they were New York people.

Mr. GARRETT. It was in New York, you think?

Mr. PARSONS. Practically New York; it was in New Jersey, possibly.

Mr. GARRETT. It was about here somewhere?

Mr. PARSONS. Yes.

Mr. GARRETT. Do you remember any others?

Mr. PARSONS. I could ascertain others. That is the only one I have in mind just at this moment; but there were quite a number of them that were persons of whom I knew at the time and individuals with

whom I was acquainted, and I know what the effect had been of this cut-throat competition.

Mr. GARRETT. When did this Booth & Edgar refinery go out of business?

Mr. PARSONS. It was prior to 1887.

Mr. GARRETT. Was it very long before?

Mr. PARSONS. It has been in that period of 18 or 20 years.

Mr. GARRETT. Do you know what its capacity was?

Mr. PARSONS. I have not the slightest idea. I know they were an important firm of New York merchants. Mr. Booth was the president of an important bank here, and Mr. Edgar was the father of the Mr. Edgar whose name has been mentioned in connection with rebates. They were looked upon as a very substantial entity.

Mr. GARRETT. You mean the father of Mr. Edgar of Detroit?

Mr. PARSONS. Yes.

Mr. GARRETT. The wholesale grocer of Detroit?

Mr. PARSONS. So I understand.

Mr. GARRETT. They had many interests. Do you remember whether their sugar-refining plant was relatively important, and how long it operated?

Mr. PARSONS. I can tell you what I believe. I believe that all those 18 refineries were, by comparison, small, and that they were trying to do the business under the disadvantage of inadequate capital and inadequate plant, and that, therefore, they were relatively weak.

Mr. GARRETT. Do you know what became of their plant—the machinery?

Mr. PARSONS. Nothing whatever. I do not know that there was any. I only know what was testified to at Washington. Are not the names given there?

Mr. GARRETT. I am not sure about the names.

The CHAIRMAN. Yes; there is quite a list of men; different men who failed in the business, and different men bought them out, just like it is in any other business—dry goods, or boots and shoes, or as it is in the case of other merchants.

Mr. PARSONS. The big fish swallow up the little fish if the little fish have spores enough to let them do it.

The CHAIRMAN. The little fish can not help themselves sometimes.

Mr. PARSONS. They can if the Government will let them do what the Government ought to let them do—let them combine. Here is a small interest wanting to fight a larger interest, applicable not only to sugar, but to every other commodity; and while one man may not fight alone, if there is any money in it a half a dozen can combine and do it, and the Government says, "you shall not combine and do that."

The CHAIRMAN. If you carry that to its legitimate conclusion, it would create absolute monopoly.

Mr. PARSONS. Just the reverse.

Mr. MADISON. How is that?

Mr. PARSONS. Just the reverse.

Mr. GARRETT. If all the refineries of the United States were permitted to combine and bring in with them all the big sugar manufacturers, you say they would not have a complete monopoly?

Mr. PARSONS. They would have what you call a monopoly. I do not call it a monopoly as long as it lasts, and it would not last over two days, as I think.

Mr. GARRETT. Why?

Mr. PARSONS. For this reason: Here are a hundred million dollars of capital stagnant now by reason of the condition which is created under existing circumstances anxious to be employed, anxious to get into anything in which there is money, ready for every opportunity by reason of transportation communication with all parts of the world and telegraphic communication here and everywhere—ready to do it. Can you prevent it? No.

Let me tell you this, and I am glad to have the opportunity of stating it: I regard England as the most commercial country in the world, as a country which has wiser men in the administration of trade matters, and for 200 years it went upon the idea of trying to prevent what is called a monopoly by legislation.

Mr. JACOWAY. What is your idea of the Sherman antitrust law? Do you think it should have been passed?

Mr. PARSONS. I will tell you in a moment. I am telling you what England determined upon.

I think it was in the fourth or fifth year of the reign of Queen Victoria. By one act of Parliament, they wiped out legislation of this kind which had grown up during a period of 200 years, and said, "let natural laws of trade take care of this," and they do.

Mr. GARRETT. Could you give us a reference to that statute?

Mr. PARSONS. Yes, sir. May I read from my brief in the Knight case? [Reads:]

No more striking evidence of the change upon this subject of the most thoughtful and intelligent opinion of the most commercial country in the world can be found than in the fact that, by the statute of seventh and eighth Victoria, chapter 24, year 1844, some 40 enactments of English, Scottish, and Irish Parliaments, one dating as far back as the reign of Henry III, all interfering with the natural course of trade, were either wholly or in part repealed. The whole subject has recently received consideration from the most eminent English judges in the House of Lords.

And I refer to the great Mogul steamship case.

The CHAIRMAN. I have been reading that statute, and I wonder whether or not you agree with a conclusion at which I have arrived—that the statute to which you refer repeals certain modifications of the great common law against trusts and monopolies, and left intact the great body of the law against monopolies in restrain of trade.

Mr. PARSONS. I do not like, Mr. Hardwick, to give an offhand opinion upon an abstruse subject like this.

The CHAIRMAN. I thought perhaps you had studied it.

Mr. PARSONS. I think maybe I can give you a case. I think that comes down to what I suppose to be the outcome of the Standard Oil and the Tobacco decisions—to leave out of consideration all risk to dally with subjects of this kind, and upon that general subject I have views.

The CHAIRMAN. It is interesting, Mr. Parsons, and we will be glad to have you give your views. I feel the committee would like to hear them, because we have to report to the House of Representatives on the subject of any amendment necessary in the trust laws.

As I understand the common law—and I say this for the purpose of getting your views on it, if you disagree with me—while reasonable

restraint of trade was permitted—if it was reasonable as to persons and reasonable as to territories—yet no restraint whatever that was prejudicial to public interests was permitted. In other words, if the restraint of trade was reasonable from the private viewpoint and did not affect the general situation unfavorably and did not increase the output of any product, although a particular individual might for a limited period and within a limited territory be restrained of his rights by contract, yet no restraint whatever would be permitted if the public interests were, as a whole, injuriously affected.

Mr. PARSONS. But how could any arrangement of the kind help but bear on the situation of the public?

The CHAIRMAN. I can give you an illustration, if you like. I can give a good many, in fact.

Mr. PARSONS. I think I know what the common law is.

The CHAIRMAN. You know what is in my mind.

Mr. PARSONS. If you are referring to our New York Court of Appeals decision in the case of Lorillard, you will find what our Court of Appeals of the State of New York said upon the subject.

The CHAIRMAN. Give us an idea; you started to give us an idea a moment ago.

Mr. PARSONS. I think New York, as a great commercial State, following decisions in England as a great commercial country, held in that case, if I remember the point there correctly, that an agreement by which one competing line was put out of business and was pensioned, as you may say, by its competitors gave to a stockholder in the line put out of business no right to go to court and try to undo that arrangement.

The CHAIRMAN. That is on the railroad question?

Mr. PARSONS. No; it was a steamship line between here and Richmond. I do not know of any case which goes as far as that, and that was prior to the decision of the court of appeals in the North River case.

Mr. RAKER. Was that the court you have great respect for that rendered that particular decision that put the competitor out of business?

Mr. PARSONS. The Court of Appeals of the State of New York rendered that decision.

Mr. RAKER. Is that the particular court, with the particular judges, that you had particular respect for?

Mr. PARSONS. I have always had the greatest respect for the judges of the court of appeals, without exception. They are all my warm, personal friends. Permit me to say that what they did in their responsibility as judges of the highest court of the State was to render a decision which they understood to correspond with the law, and they made the law as it should have been.

The CHAIRMAN. Was the point of that case that the public convenience was not injuriously affected, or that the situation, so far as the standpoint of the public was concerned, the convenience, and prices were not injuriously affected?

Mr. PARSONS. If the public is affected by preventing competition, there was a case where there was prevention of competition. One line was put out of commission.

The CHAIRMAN. Do you not think preventing competition is liable to give some man power to fix prices?

Mr. PARSONS. I go to extreme lengths, Mr. Hardwick, in respect of the natural laws of trade. Here is a period in the world's history when there are men of the greatest capacity who are willing to embark in commercial enterprises. Here is a condition of capital almost without limit. Here is a condition of communication of information by which we are brought in touch with all parts of the world. Capital can come here, if we do not have it here, from China and wJapan, or from Russia, or wherever it may be. If you will leave things take care of themselves, you will have such a situation as existed when Mr. Arbuckle started his fight on the American Co. or the American Co., if you please, started a fight upon Mr. Spreckels, or vice versa, and the end of it will be that these things will adjust themselves upon the basis of trying to get the best profit you can out of the lowest possible price to the consumer.

The CHAIRMAN. In other words, the man who has a product to sell always wants to get the best price?

Mr. PARSONS. If I had anything to sell, I certainly would want to get the best price.

The CHAIRMAN. Everybody is the same way and feels that way.

Mr. PARSONS. I feel that way myself.

The CHAIRMAN. If there is only one man to sell and everybody must buy, will he not get a good price? Will not he fix a price that will reach the heavens?

Mr. PARSONS. If what you mean is a case where there is a patent, so there can be but one man, where there is some condition which makes it impossible that there shall be a second man, possibly that is true, if you please. But that does not exist in these days, except by protection which the law gives to a man who has some special advantage of that kind.

The CHAIRMAN. Even since the Middle Ages, almost since the first of civilization itself, our forefathers have always had laws against the people going out and meeting people going to the market and buying up the stock and selling it again at higher prices, against forestalling the consumer in that way, and against regrading, and so forth. Do I understand these laws are wrong in principle, and the principle on which they are based ought no longer to be regarded by the civilized nations of the world?

Mr. PARSONS. I think they are applicable to the situation or period with respect to which they were enacted, but they are inapplicable to the present situation.

It is said that Lord Pemberton, an English chief justice, almost became crazy when he came to charge a jury in respect of a transaction involving—I am stating this generally from my recollection—the question of whether a bushel of oats should be sold at a price 6 cents higher or 6 cents lower. That is the extreme view of the other side. I can conceive of a case which calls for just that decision. Suppose a little community clear up in the north of Scotland, which lives on oats, was dependent upon being able to buy oats. Suppose, if you please, the ice situation which is claimed to exist here in New York now. There are possibilities, temporary or local, which may call for protection of that kind; but is that our situation here, with the whole world open, with accumulated capital?

The CHAIRMAN. Is the whole world open, with this tariff wall we have around us existing?

Mr. PARSONS. On the question of the tariff I will tell you, if I come to it. I have views on the tariff. One of these days let me get you on one side, when you are not a member of the committee, and either you will convert me or I will convert you. [Laughter.]

The CHAIRMAN. All right.

Mr. GARRETT. I do not want to go into tariff talk, but I would like to ask this: I have not made the close analysis of that statute of Fifth Victoria that Mr. Hardwick has made——

Mr. PARSONS (interposing). Nor have I.

Mr. GARRETT. I have an impression——

Mr. PARSONS (interposing). Might I say this, perhaps in qualification of what I have said?

Mr. GARRETT. Yes.

Mr. PARSONS. I think that I take or may have taken what I said in reference to it from Prof. Jenks's article on "Capitalistic monopolies."

Mr. GARRETT. Prof. Jenks, of Cornell University?

Mr. PARSONS. Yes; and on this general subject, if you care and I may, Mr. Hardwick, and if you will care to consider it. I will refer you to Political Science Quarterly, of September, 1888, an article by Mr. Gunton on "The economic and social aspect of trusts"; John Stuart Mill on "Political economy," pages 162, 164, 167, 174; Thorold Rogers on "Work and wages," page 543; Simon Newcomb, "Principles of political economy," page 101; Francis Bowen on "American political economy," page 110; Buckle's "History of civilization," volume 1, page 225; Gilbarth's "History of banks"; Smollet's "History of England," chapter 4; Greenhood on "Public policy," pages 687–688; and Prof. John W. Jenks, in the September, 1894, number of Political Science Quarterly, an article on "Capitalistic monopolies."

May I say in reference to that—I do not want to claim anything which is not true—that all of these citations were furnished to the Supreme Court in the Knight case, and there is another passage from my brief that I should be very glad to read, if I may. I can not help but think that the court may possibly have considered it.

The CHAIRMAN. What do you think of the recent modification of the Sherman law, the rule of reason laid down by Judge White?

Mr. PARSONS. I think it is a recognition that the Sherman law is wrong; and I will tell you not what I think about it, but what is thought about it by—you will be pleased to know, probably—Richard Olney, Attorney General of the United States; Judson Harmon, Attorney General of the United States; John W. Griggs, Attorney General of the United States; W. H. Moody, Attorney General of the United States, who is said to have declined to express an opinion upon this subject.

Mr. RAKER. For what reason did he decline?

Mr. PARSONS. He did not decline.

The CHAIRMAN. Is that his opinion in that very matter?

Mr. PARSONS. Precisely. I have his opinion, which follows what was said by him in that matter.

The CHAIRMAN. Will you read that opinion of Mr. Justice Moody to the committee?

Mr. PARSONS. It is as follows: "Sherman antitrust law" is the title. Mr. Moody said:

In the course of this litigation it has been made clear by the decisions of the Supreme Court:

(1) That the law is unconstitutional. (United States *v.* Joint Traffic Association, 171 U. S., 505.)

(2) That a combination of manufacturers to restrain or monopolize manufacture or production which only incidentally and indirectly affected interstate commerce was not within the prohibition of the act because not a straint or monopolization of interstate commerce. (United States *v.* E. C. Knight Co., 156 U. S., p. 1.)

The CHAIRMAN. That was on account of the peculiar situation of our Government—its dual form; its delegated powers—and because the Congress of the United States has only such powers as are delegated to it expressly or can be inferred by necessary implication from delegated powers.

Mr. PARSONS. In a measure, of course. It went upon this theory of Federal jurisdiction and interfered with local trade, and I am a State-rights man. I believe in "Federal Government hands off" in matters with which the State can deal.

The CHAIRMAN. But if you are a good State-rights man, you will also concede the proposition that as to matters expressly delegated—the authority and power of the National Government is all right?

Mr. PARSONS. I do not know whether it depends on whether I am a good State-rights man or not, but I am that sort of a State-rights man.

The CHAIRMAN. You believe in interstate-commerce power?

Mr. PARSONS. Yes; in so far as it bears upon railroads which are a medium of communication between the States.

The CHAIRMAN. And on articles transported and a control of the terms on which articles can be transported by agents of interstate commerce from one State to another—you concede that power?

Mr. PARSONS. I am not quite willing to say that. That is a very broad question. If what you want to know is whether I believe in the Sherman law, I will tell you what I believe. I believe what Senator Depew is reported in the newspaper, within a day or two, to have said—that if the contention of the Government in the Standard Oil and the Tobacco cases had been sustained there would have been a worse panic than ever known, and every interest would have suffered, and that the Supreme Court was compelled to read into the Sherman law what the Government said was not there.

The CHAIRMAN. And what Congress did not put there.

Mr. PARSONS. If that is right, yes. I believe Congress did have it in mind to put it there, and that you can not put an interpretation upon the law upon the crossing of the "t's" and the dotting of the "i's." You have to assume Congress knew what were the conditions which were to bear upon the subject.

The CHAIRMAN. You agree to the proposition that the recent decision was a correct construction of the law as passed by Congress, if I understand that last remark of yours?

Mr. PARSONS. I will tell you what I do believe, and then you can conform that to your question. I believe that the Supreme Court recognized that here was a law which was very injurious to the best interests, and they dealt as best they could with the language on one side and that effect on the other, and that the outcome was—here

were these gentlemen of the Supreme Court dealing with a grave question which concerned the highest interest of our country, and they had to recognize that if the Sherman law were administered as was claimed, the Standard Oil Co. was shut down upon and the Tobacco Trust was shut down upon, and every organization dealing in commerce was shut down upon, and the condition of the country was absolute bankruptcy. Let me tell you who are the persons who maintain these organizations, and I can tell you how you can stop the whole thing in a moment.

The CHAIRMAN. How?

Mr. PARSONS. Simply stop using the things.

The CHAIRMAN. We can not stop breathing, can we, nor eating?

Mr. PARSONS. You can stop using sugar and you can stop using tobacco. But you say, "No; we will have sugar, but we will not pay anything for it. We will have tobacco to smoke but we do not want to pay the price for it." Perhaps I am out of order——

The CHAIRMAN. I want to put just one other question on a legal matter. I see you are a lawyer of great erudition——

Mr. PARSONS (interposing). Please do not say that.

The CHAIRMAN. I think so, and I say so. You are familiar with the proposition that a criminal statute must be exact and precise and definite before it can be enforced at all.

Mr. PARSONS. I have argued that a great many times; I have argued that in respect of the application of this statute.

The CHAIRMAN. If the rule of reason is to apply in the Sherman statute, and when a man goes into a business enterprise, he does not know whether his act will be criminal or not, except as a jury shall afterwards say, he is in rather a peculiar fix, is he not? He must depend upon what a jury says as to whether he has or has not monopolized interstate trade to an unreasonable extent. Is that as capable of enforcement as a criminal statute?

Mr. PARSONS. Shall I tell you how it will result?

The CHAIRMAN. I will be glad to hear from you on that point.

Mr. PARSONS. The result would be that the man who wished to do some business would say, "Here, I can not spell out or interpret this or any other statute." He would go to the profession supposed to deal with those subjects, and his lawyer would tell him this or that, and then there might be a claim hereafter that the lawyer had made a mistake, and you could indict him.

The CHAIRMAN. We will have to put the lawyer in jail if he goes wrong?

Mr. PARSONS. That is it—but, seriously, that raises a question whether a fair way of interpreting a statute is one that requires the Supreme Court of the United States to consider the matter for months, with the result that a decision has been handed down which has been criticized—whether the fair outcome of that should be to try to punish anybody criminally. It is a monstrous proposition to me.

The CHAIRMAN. It seemed to me it would have to be made a little more certain.

Mr. PARSONS. You are a legislator. Make that law one way or the other, so somebody can tell what it means.

The CHAIRMAN. In other words, it is a rule of criminal law universally in civilized countries, and as old as the law itself, that a

criminal statute must be plain and definite and certain, and not leave any guesswork for anybody about what constitutes its violation.

Mr. PARSONS. The thing is, it has to be strictly construed in the interest of the offender and against the government.

The CHAIRMAN. And besides that, a man must know when he reads this, so he can say, "Is this act of mine going to be a violation of that act or not?" At least, it must not bear in its bosom any of the elements of uncertainty, so that from the law itself a man can not tell what it means.

Mr. PARSONS. I attended a public meeting, and a very able gentleman, the president of a railroad, I think, got up and said, in respect of this transaction or that, "If I do it I am a criminal, and if I do not do it I am a criminal." That is the sort of legislation with which serious interests and important interests bearing upon the welfare of the country are compelled to contend.

The CHAIRMAN. So, in your opinion, it is a very grave question whether or not the Sherman law can be enforced as a criminal statute in view of this decision?

Mr. PARSONS. I would rather read what Judson Harmon said upon that subject.

The CHAIRMAN. I wish you would.

Mr. PARSONS. In his Attorney General's report in 1895, at page 13, he said:

Among the cases of general interest decided since the last annual report of the Attorney General, several deserve mention. In United States *v.* E. C. Knight (156 U. S., 1), which was referred to in the last report as having been argued and submitted, a construction was given to the Sherman antitrust law. It was held that the purchase of certain sugar refineries in the city of Philadelphia, on behalf of the so-called Sugar Trust, was not a violation of the provisions of that law, although a virtual monopoly of the business of refining sugar resulted, because interstate commerce was not thereby directly affected. Combinations and monopolies, therefore, although they may unlawfully control production and prices of articles in general use, can not be reached under this law merely because they are combinations and monopolies, nor because they may engage in interstate commerce as one of the incidents of their business.

In his report for 1896, at page XXVII, he said—this report being his report as Attorney General:

The restricted scope of the provisions of this law, as they have been construed by the courts, especially in the case of the United States *v.* E. C. Knight (156 U. S., 1), makes amendments necessary if any effective action is expected from this department.

The CHAIRMAN. You regard that as still more true since this recent decision?

Mr. PARSONS. I do.

The CHAIRMAN. Pardon me, Mr. Garrett, for interrupting your examination. Will you please proceed?

Mr. GARRETT. Mr. Parsons, as I tried to say a few moments ago, I do not care to go into the tariff question now, but there is one question suggested to my mind in connection with this statute—the Fifth Victoria—to which you referred. That was passed in 1844, I believe.

Mr. PARSONS. That is my citation.

The CHAIRMAN. It was somewhere near that date, I am sure.

Mr. GARRETT. That was about the time that England was beginning to go to the free-trade basis, so called; perhaps it did not arrive at that point until about 1851 or 1852, if my recollection serves me correctly; but they had made very material modifications in the pro-

tective system at the time of the passage of that act, and particularly with reference to food products. It occurs to me to ask whether you had ever thought if that fact had any influence upon the modification or repeal, as the case may be, of the monopoly laws by that act?

Mr. PARSONS. I have not considered that matter, and, Mr. Garrett, I do not think that on the question of protection or free trade an exact, parallel can be drawn between England and this country. There was a period when that was possible, but I think that is not the case now.

Mr. GARRETT. Do you mean it would be impossible now for us to allow to come in a sufficient amount of noncompetitive articles to raise the revenues that are required to be raised at the customhouse?

Mr. PARSONS. What I mean is, passing that question of obtaining revenue, that we are in the condition in which England was at an early period, of needing to protect infant industries. England may have got beyond that. Take, for instance, this beet-sugar industry, and the matter which has been discussed before you as to whether it should have protection or not. You can easily see that you may kill it or may keep it alive by the tariffs.

Mr. GARRETT. You mention specifically the beet-sugar industry as one infant industry that needs protection. Have you others in mind that you wish to name?

Mr. PARSONS. I have the beet-sugar industry particularly in mind, and being matters that have come within my own knowledge I think they are not uninteresting. I do not happen to think of any others just now. To this beet-sugar subject, in connection with my relations to the American Co., I have given consideration; but I have traveled more or less in Europe on the Continent and I have some ideas as to what the encouragement of the beet-sugar industry means and what the effect will be of killing it.

Mr. GARRETT. With your permission, we will take that up, so far as economic views are concerned, a little later. The particular thing I had in mind at the time I spoke a few moments ago, and I recognize the fact that there is a difference in the conditions of this country and England, though whether or not I would undertake to solve them by the application of the protective principle or policy is another question; but the particular thing I had in mind was whether the modifications of the tariff laws there did not perhaps have some influence in modifying the monopoly laws?

Mr. PARSONS. I do not think so.

Mr. GARRETT. Whether or not the passage of these tariff laws and permitting competition from all the rest of the world did not tend to render unnecessary in a large measure the monopoly laws which had existed?

Mr. PARSONS. I do not think so. I think the difference is illustrated in a way which is interesting. Napoleon said that the English people were a country or a people of shopkeepers, and there came a time when the English people were a country of merchants. There is a difference between retail and wholesale, and the situation where your country is doing business in a petty way may require certain action, but when you do it in a large way, which I regard as in the interest of the public, then different conditions prevail.

Mr. GARRETT. There is no idea in your mind that the modification of the tariff laws had anything to do with the passage of the statute to which you refer?

Mr. PARSONS. I do not think so. I do not go so far as to say it is not so, but I do not think so.

The CHAIRMAN. Gentlemen, it is 1 o'clock. We will take our recess at this time and reassemble at 2 o'clock, at which time, Mr. Parsons, we will resume your examination.

(Thereupon, at 1 o'clock p. m. a recess was taken until 2 o'clock p. m.)

AFTER RECESS.

The committee reassembled pursuant to the recess at 2 o'clock p. m.

The CHAIRMAN. The committee will come to order. Mr. Garrett will resume the examination.

TESTIMONY OF MR. JOHN E. PARSONS—Continued.

Mr. GARRETT. Mr. Parsons, when did you become a trustee of the organization that was perfected in 1887?

Mr. PARSONS. I have no recollection that I did become a trustee. I am only reminded of it by what you have said this morning.

Mr. GARRETT. You succeeded a gentleman who resigned as trustee, did you not? Here is the evidence as given before a committee many years ago.

Mr. PARSONS. What I said upon that subject then was when the matter was fresh in my memory.

Mr. GARRETT. Do you mean to say that you have no recollection of being a trustee at that time?

Mr. PARSONS. None whatever.

Mr. GARRETT. Did you ever meet with them?

Mr. PARSONS. Have you the papers there?

Mr. GARRETT. Did you ever meet with the trustees? I have the evidence here.

Mr. PARSONS. I mean, the names of the trustees.

Mr. GARRETT. I have the names of those who were first nominated as trustees.

Mr. PARSONS. That is what I mean.

Mr. GARRETT. You were not nominated as a trustee in the beginning?

Mr. PARSONS. You asked whether I met with them, and I want to find out who they were.

Mr. GARRETT. I will be very glad to give that to you. This reads:

The first board shall consist of the persons hereinafter mentioned, and they shall hold office as follows, and until their successors shall be elected: Members of the first class, Henry O. Havemeyer, F. O. Matthiessen, John E. Searles, Jr., Julius A. Stursberg, to hold office seven years; members of the second class, Theodore A. Havemeyer, Joseph B. Thomas, John Jurgensen, Hector C. Havemeyer, to hold office five years; members of the third class, Charles H. Senff and William Dick, to hold office three years.

I understand from the testimony of Mr. Henry O. Havemeyer, given before the committee in 1888, that subsequently there was added a Mr. Charles A. Foster, of Boston, as an additional member—in what class I do not know—and that you, according to his testimony and your own, took the place of some one who resigned in one of these classes?

Mr. PARSONS. It is quite possible that it was so; I have no recollection of it. I have no recollection of the time, if it occurred, and I have no recollection that I ever met the gentlemen named. However, I learned to know some of them, and it is quite likely that at some time I did talk with whomever I met; but, as the matter is in my memory now, it was most casual, nothing of a practical character ever needed to be considered of which I can think. You will see that they were mere custodians of this stock of the constituent companies. I have no doubt, if you will permit me to say further, that some of these gentlemen met at the office of the company and talked; but I was hard at work trying to earn a living at the law. I never went there.

Mr. GARRETT. Did you have any financial interest in the company at that time? Did you own any of the certificates?

Mr. PARSONS. Prior to the formation and preliminary to that, no.

Mr. GARRETT. I mean during the existence of the Sugar Refineries Co.

Mr. PARSONS. Yes.

Mr. GARRETT. Between 1887 and 1891 you did own some certificates?

Mr. PARSONS. I owned some certificates.

Mr. GARRETT. Did you own those certificates as an investment or did you own them in order to qualify you as one of the trustees?

Mr. PARSONS. I kept them as an investment.

Mr. GARRETT. Were you interested prior to the formation?

Mr. PARSONS. No.

Mr. GARRETT. You bought your certificates on the market after that time or received them——

Mr. PARSONS (interposing). I received them as compensation.

Mr. GARRETT. For your services as counsel?

Mr. PARSONS. As counsel, and for the several years during which this matter was brewing and I was at work at it.

Mr. GARRETT. What was the amount of your holdings?

Mr. PARSONS. Is that material?

The CHAIRMAN. Yes; I think so.

Mr. PARSONS. I received what has been designated as watered shares—2,500 shares.

The CHAIRMAN. 2,500 shares, at the par value of $100 each?

Mr. PARSONS. Yes. What I wanted was money; what I got was paper; but those from whom I received it were wiser than I was, and the time came when I was better off than if I had been paid in money.

Mr. GARRETT. Well, then, you say that the trustees of the Sugar Refineries Co. really performed no functions?

Mr. PARSONS. No; I did not say so; you asked me about myself.

Mr. GARRETT. Well, you never met with them. You say they had nothing to do except——

Mr. PARSONS (interposing). I have no recollection that I ever met with them: I was not one of the practical men.

Mr. GARRETT. When you say you were not one of the practical men you mean by that so far as technical knowledge of refining sugar or technical connection with the business are concerned?

Mr. PARSONS. I mean so far as concerned anything that related to the business.

Mr. GARRETT. In its commercial and legal aspects you were a very practical man, were you not—you were its counsel?

Mr. PARSONS. In its legal aspects, but not commercial aspects.

Mr. GARRETT. Well, its legal aspects; put it that way. I was particularly desirous of knowing what this board of trustees of the Sugar Refineries Co. did do. For instance——

Mr. PARSONS (interposing). I think I see what you want to know, and I think I can answer you. You see, when you read those names to me I saw those were the names of the persons who were largely interested financially and the names of the persons upon whom depended the success of this arrangement. I take it for granted that they talked together, but whether at a formal meeting or not I do not know. They gave to the Sugar Refineries Co. the benefit of all the knowledge they had by conferences and otherwise, and I have no doubt whatever it was their duty to do it.

Mr. GARRETT. Did they constitute a central board and buy raw sugars for all the constituent refineries?

Mr. PARSONS. I do not know, but I should assume that what they did was to agree upon some person to attend to this branch of the general business and some other person to attend to that, and that it was done by subordinates.

Mr. GARRETT. It has been testified before the committee that the American Sugar Refining Co. has some one who buys raw sugars and distributes them to the various refineries in operation, according to their needs; for instance, the Philadelphia company or the Boston company or one of the several companies immediately around this great city, do not buy individually, but there is a central buying authority that buys the raw sugars and distributes them. That is a fact, is it not, so far as the American Sugar Refining Co. is concerned?

Mr. PARSONS. I do not know that I can testify as to whether or not that is the fact, but it ought to be the fact.

Mr. GARRETT. You are not now connected with the American Sugar Refining Co.?

Mr. PARSONS. No, sir.

Mr. GARRETT. In any official capacity?

Mr. PARSONS. None.

Mr. GARRETT. Do you own any stock in it?

Mr. PARSONS. Yes.

Mr. GARRETT. You still own stock in it?

Mr. PARSONS. Yes.

Mr. GARRETT. During the time that you were officially connected with it was that the policy?

Mr. PARSONS. I have every reason to suppose that it was, or it ought to have been, but I do not know. You must consider that here is one organization and that one of the objects of the organization was to dispense with unnecessary subordinates.

Mr. GARRETT. I understand that perfectly, but it is really not necessary to have the reasons, although I have no objection to your giving them. All I am interested in is to ascertain whether that policy existed prior to the organization of the American Sugar Refining Co. and whether it exists now. Did this board of trustees, or any one acting under the authority of the board of trustees, purchase

generally and distribute to the constituent companies of the organization of 1887?

Mr. PARSONS. I have no knowledge upon the subject, but I believe it must have been done in that way and certainly ought to have been done in that way.

Mr. GARRETT. And there was really no change in that policy when the American Sugar Refining Co. was organized?

Mr. PARSONS. I am utterly incompetent to testify to the matter as a fact; but I should assume so.

Mr. GARRETT. So far as the policy in that respect was concerned it was in operation under the agreement of 1887, just as it is in operation to-day and has been for many years with the American Sugar Refining Co.?

Mr. PARSONS. I should assume so; and my assumption is based on the fact that it was really a paper change; that there was no real change; that the distribution of interests was identical and that everything went on just the same. Please understand that I assume it. I do not know, and I do not want to have somebody come here later and say it is not so; I do not know.

Mr. GARRETT. I understand you have stated it was an assumption. Mr. Parsons, have you stated all that you know of the matter on the Pacific coast, the entrance of the company into business on the Pacific coast?

Mr. PARSONS. In a general way, I think; yes.

Mr. GARRETT. Now, when it came to the matter——

Mr. PARSONS (interposing). Pardon me; I think I may have been told something about the details there, but I have no personal recollection of them and I had no professional relations to them which I can recall.

Mr. GARRETT. When it came to the matter of acquiring an interest on the Pacific coast and also acquiring the Spreckels plant at Philadelphia, did you participate in that as counsel?

Mr. PARSONS. I did not. I may have been asked some questions, but I did not participate; in fact, I think I knew nothing whatever about the Philadelphia Spreckles arrangement until it was consummated, whatever it was. There was no reason why I should.

Mr. GARRETT. Well, there were certain legal formalities to be complied with; certain documents to be passed?

Mr. PARSONS. I do not think so; nothing of which I can think.

Mr. GARRETT. No deeds or writings of any kind?

Mr. PARSONS. I have no recollection that I ever knew how the thing was done. I assume that all that was done was to exchange Spreckles stock for American Sugar Refining Co. stock, which could have been done by a clerk.

Mr. GARRETT. So there were no papers drawn up in connection with it?

Mr. PARSONS. I can not see why there should be; none that I know of. Let me say, as applicable to the whole situation, that if the point of your inquiry is as to whether there was ever any arrangement between these gentlemen that there should be no competition there between them and others, or between them and themselves, that nothing of the kind ever occurred from the beginning to the end. Everybody was at liberty to compete as much as they chose.

Mr. GARRETT. Well, we will get to that question in a moment. But you do not mean to say that the constituent companies of either the Sugar Refineries Co. or the American Sugar Refining Co. carried on any competition; that there was any competition between the companies who constituted those organizations?

Mr. PARSONS. I am speaking about any arrangement or agreement or understanding. Of course, I thought I explained this morning that when the interests became united there was every reason why they should not fight each other. Two partners, when they join, live in harmony, I suppose, so far as business goes, and I take it for granted that that was the case here. It was as far as I know.

Mr. GARRETT. You were present when Mr. Thomas gave his testimony and have read other testimony given before this committee, and from that testimony you have heard something of the agreement with the American Beet Sugar Co., have you not?

Mr. PARSONS. You mean the written agreement?

Mr. GARRETT. Yes.

Mr. PARSONS. Yes.

Mr. GARRETT. You have other information than what you have from the testimony?

Mr. PARSONS. Yes.

Mr. GARRETT. You prepared that?

Mr. PARSONS. I did not.

Mr. GARRETT. Who did?

Mr. PARSONS. Counsel for the American Beet Sugar Co. You will see it is their proposal to the American Co.

Mr. GARRETT. Did you draw the answer to it? This proposal was by way of letter, was it not?

Mr. PARSONS. Yes.

Mr. GARRETT. Did you draw the answer to it?

Mr. PARSONS. Is the answer there?

Mr. GARRETT. I am not sure that the answer is stated here, but, of course, it was answered?

Mr. PARSONS. I am not sure, but I can tell you what occurred in relation to that.

Mr. GARRETT. All right, sir.

Mr. PARSONS. I was waited upon one day by eminent counsel of this city who said that he had been referred to me in respect of a proposal which had been made by the American Beet Sugar Co. to the American Sugar Refining Co., and he produced their proposal as it is there, or it may possibly have been changed, but substantially as it is there, and gave me to understand, what seemed to me to be obvious from a reading of the paper, that it was no arrangement in restraint of trade, and that it was no arrangement or purpose to limit production or sale, but just the reverse of that. The object was to put the American Beet Sugar Co. upon its legs, to enable it to sell more sugar, not less. I am willing to discuss that contract with anybody on the basis that it complies with or does not violate the law or any statute, and I will finish that statment here and now if you will permit me. That was a contract which related to giving to the American Beet Sugar Co. the benefit of the agencies of the American Co., the distribution of its product and——

Mr. GARRETT (interposing). What agencies, please?

Mr. PARSONS. All through the United States. The American Sugar Refining Co. had its agencies all through the United States for the selling of sugar, and here was the Beet Sugar Co., which had not, and which wanted to sell sugar. The American Co. then made this arrangement by which it would give the Beet Sugar Co. the benefit of its agencies. Now, I do not suppose that would have been done but for the fact that at that time it was the intention of the American Co. to become largely interested in the development of the beet-sugar industry. What they saw was the future of the beet-sugar industry, and here was a method of promoting it. Therefore, the object of that contract, as you will see if you will look at it carefully, was not to restrain but to promote, not to limit but to enlarge the production of the beet industry, and the terms upon which the American Co. would lend its services in the interest of the beet company depended upon the American Co. The American Co. had the right to say, "Yes; we will help you everywhere but in New England."

Mr. GARRETT. Just there. Why was New England excluded?

Mr. PARSONS. I do not know that I can say positively why. The contract came to me in that form. It may have been because the American Sugar Refining Co. had this Standard refinery. Just what the explanation was I do not know. It came to me as an accomplished fact that New England was to be excluded; that the American Co. was to give to the Beet Sugar Co. the benefit of its agencies, with the exception of certain limitations which appeared in the contract. Now, it is pretty difficult to satisfy me—if Mr. Hardwick will permit me to say so—particularly after the decision of the Supreme Court of the United States in the Tobacco case and the Standard Oil case, that the American Co. might not reasonably say, "We will help you to do these things and not help you to do other things."

Mr. GARRETT. Now——

Mr. PARSONS (interposing). May I tell you the whole story?

Mr. GARRETT. Yes. Of course, Mr. Parsons, so far as arguing the legality of it is concerned, while it is delightful to hear you, I do not know——

Mr. PARSONS (interposing). I want to talk about this theory that counsel suggested, that it was illegal and that the penitentiary was staring somebody in the face, which has gone broadcast everywhere. I want to tell you what happened in reference to that and I think in justice you ought to permit me to do so. This contract was in the interest of the American Beet Sugar Co. and enormous allowances were being made by the American Co. to help the beet company; it was a contract intended to be most beneficial to the beet industry and to the distribution and promotion of the beet industry, by means of the American Co., its agencies being put at the disposal of the beet company for that purpose. It is pretty difficult to satisfy me that that was a contract which violated any law. Now, what happened? You remember that this contract was passed upon by the counsel who prepared it, the counsel of the Beet Sugar Co., eminent lawyers of this city. There came a time when the beet company—and I want to say for my friends of the beet company, because they are my friends, that it was quite right that they should act according to the advice of the lawyers; but when the bet company had got all the benefit that could be got out of that contract—

while the contract provided that it should run for a certain length of time and the American Co. should receive commissions, and I was called upon, I was not called upon, I was sent to collect the commissions that were due from the beet company under that contract, and I had written to the beet company the usual lawyer's note, "Come and settle," and then I was called upon and was told, "We have discovered that this contract is in violation of the Sherman law." I said, "Do you mean that you intended to commit a penal offense?" And they said, "Well, we are advised to that effect by," I think it was Mr. Wayne MacVeagh, the gentleman whose name was mentioned, and they said, "Yes; we did do it, and we do not want to pay this commisison." Well, we had a little bantering talk about the matter, and then my attention was called to the fact that certain questions were pending which would doubtless reach the Supreme Court of the United States and which were to throw some light upon this situation. And I said, "All right, we will wait and see. I think I know what the law is, I know what your counsel understood to be the law at the time,"——

The CHAIRMAN (interposing). Who was that lawyer?

Mr. PARSONS. Messrs. Zabriskie, Murray & Co. Mr. Murray was the gentleman who saw me.

The CHAIRMAN. Was he the man who drew this contract?

Mr. PARSONS. It was brought to me by Mr. Murray. And I then said, "All right, we will wait. You say you may get your people into trouble; I do not want to get my people into trouble; and we will wait and see what the Supreme Court of the United States has to say upon the subject." Then came this decision under which, if Mr. Havemeyer had lived, I think the Beet Co. would now be notified to pay, and if they did not respond to the invitation they would be called upon to test the question in the ordinary way in court whether that was or was not a contract in restraint of trade.

Mr. GARRETT. Let me call your attention to this language. This is in the letter from the American Beet Sugar Co. to the American Sugar Refining Co., setting forth what the American Co. was to do: "You are to open your channels of distribution to us and allow to us the use of your brokerage system." Now, what did it mean by "channels of distribution"?

Mr. PARSONS. As I understood at the time, and as it was explained to me by Mr. Murray, the American Sugar Refining Co. had agencies everywhere, and had the means of selling sugar and had created a system of agencies.

Mr. GARRETT. Then it goes on to speak of the employment of your agencies, and that you are "to open your channels of distribution to us and allow to us the use of your brokerage system and the employment of your agencies."

Mr. PARSONS. Precisely.

Mr. GARRETT. So there evidently were some differences; each of those three things represented a different class.

Mr. PARSONS. I do not think so. I think it all meant, "We think of going into the beet-sugar business and we can help the business." You remember the American Co. was largely interested in the beet company.

Mr. GARRETT. Yes; I remember that very well. There must have been, of course, conferences preceding this formal letter.

Mr. PARSONS. Doubtless.

Mr. GARRETT. And this letter was doubtless the expression in writing of what had been previously agreed upon in parole?

Mr. PARSONS. In a general way that might be so. I do not want to say anything about my friends of the Beet Sugar Co., because they are my friends, but the way the American Co. looked at it was that the beet company wanted help, and the American Co. was in a position to help in ways which I think were perfectly legitimate. Yesterday I was reminded by something that was read here of a talk between Mr. Bayard Cutting and Mr. Havemeyer; you remember what was read yesterday?

Mr. GARRETT. Yes. That was about a tariff matter, of course.

Mr. PARSONS. Well, it bore upon the talk that Mr. Havemeyer and Mr. Cutting had about the matter, and then Mr. Cutting submitted the matter to his lawyers, and the matter came into my hands in that way.

Mr. GARRETT. If you will pardon me for leaving that matter this continues by saying, "You are to permit your brokers to dispose of our sugars on the same terms as in your own case, and are to instruct them to push the sale of our product; and if, in any case, there shall be conflict, you are to permit us to have the preference, except in so far as is necessary to meet demands for cane as against beet sugar; and with the same exception you are to give us the preference, up to the point of withholding the sale of your product of the same grades in such markets as we may require, so far as is necessary for the disposal of our product, provided that no delay or loss of time shall be caused by us."

Mr. PARSONS. Was not that a pretty favorable contract for the Beet Co.? They are to have all the agencies of the American Co., the American Co. is to permit their product to be first marketed and they are to have the preference right straight along.

Mr. GARRETT. Up to the point of the American Co. withholding its product and refusing to compete with them?

Mr. PARSONS. If you please, the American Co. being interested in the Beet Co. and saying the Beet Co. shall have the preference. Now, remember, Mr. Garrett, that this is an employment contract; it is not an agreement; it is an employment contract, and the terms upon which the American Co. should become the agent of the Beet Co., I suppose, was in the control of the American Co.

Mr. GARRETT. You say this is an employment contract and not an agreement? Of course, you mean it was an agreement of employment?

Mr. PARSONS. I mean it was an agreement, the outcome of which was to be an increase of beet-sugar distribution.

Mr. GARRETT. And one of the terms of that agreement was that the employee, the American Co., was to consider the interests of the employer up to the point of withholding its own product from the market when the beet-sugar people wanted to put it on the market.

Mr. PARSONS. You have read what the contract provides.

Mr. GARRETT. Now, Mr. Parsons, was not this the real fact, that beet sugar only goes on the market for a brief time during the year, comparatively speaking? That is true, is it not?

Mr. PARSONS. Well, I have heard it stated so.

Mr. GARRETT. Well, you know as a fact that it is true? Your connection with the sugar interests has been sufficient to enable you to know that fact, that they market their product during only a few months of the year?

Mr. PARSONS. I do not think I know that it is a fact. You say it is, so I acquiesce.

Mr. GARRETT. Well, that is the testimony before us. Now, was not the underlying motive for putting into the agreement the language that I have just read—that is, that the American Co. would withhold its cane product from the market—that of permitting the American Beet Sugar Co. to put its product on the market, and then after it had closed its season the cane sugar should go on and there would be no competition at any time between the two?

Mr. PARSONS. I have no recollection. No such idea came to my mind.

Mr. GARRETT. That is not a very unreasonable inference it seems to me.

Mr. PARSONS. It has never occurred to me.

Mr. GARRETT. Well, of course, I do not care to ask you about inferences, but you analyzed this letter very closely, I take it, when it was submitted to you as a lawyer to pass upon it.

Mr. PARSONS. I heard what was said, that this was to be in the interest of the beet industry and to promote the beet industry, and as I was somewhat of a beet-sugar man myself I thought that was all right, and with that idea in mind undoubtedly I went over the letter.

Mr. GARRETT. Now, the terms of this agreement not only favored the beet-sugar people because they could not market the year around, but it also favored the American Co. as well?

Mr. PARSONS. My view is that when you come down to practical questions, so far as that question is concerned, the Beet Co. and the American Co. were practically one, and I can not conceive of any reason why the American Co. could not, in the interest of its business, become interested in the beet industry.

Mr. GARRETT. Well, of course, that goes to the merits of the matter.

Mr. PARSONS. Is not that what you are talking about?

Mr. GARRETT. Well, what we particularly want to get are just the facts, what they were, and let everybody draw their own inference from the facts.

Mr. PARSONS. The facts are that the contract was made and great benefits came to the Beet Co., and the contract imposed obligations on the Beet Co., which, if Mr. Havemeyer had lived and I had been counsel, the Beet Co. would have had to fulfil or the courts would have been called upon to determine about them.

Mr. GARRETT. What was your interpretation of this language:

> You are not to make yourself, nor allow to be made by the producers controlled by you in any markets used by us while our product is being disposed of in such markets, a lower price on refined sugar than your own open price at your points of production, plus freight, if any, to such markets.

Mr. PARSONS. Now, what is your question?

Mr. GARRETT. What was your interpretation of that language at that time and what is it now?

Mr. PARSONS. In a general way here was a unified interest and the interest was to be worked for a common good.

Mr. GARRETT. For the common good of the two companies?

Mr. PARSONS. The common good of permitting the distribution of beet sugar and for the advantage of the beet industry, to which I was committed, and, eventually, by the enormous increase in beet production, to give to the dear public the benefit of the reduction of the price of sugar. And that is, as you will easily see from what I have said up to this time, the view of the economical question which I take, and in the view I take of all these efforts, leaving out the tariff question and considering it as a practical question, all of these objections mean harm, and I can have no better illustration of it than was furnished by the testimony of the gentlemen who came here from Utah and Idaho, and who said that practically the life of their community depended upon whether the beet industry should or not be promoted.

Mr. GARRETT. And the American Sugar Refining Co. in this agreement bound itself absolutely to fix a price independent of events that might arise during the life of this contract, which was to run for 10 years, and bound itself not to sell at any point at which the beet sugar was going on the market for less than the New York price, plus freight, if any?

Mr. PARSONS. Bound itself to do exactly what the contract says.

Mr. GARRETT. It bound the American Sugar Refining Co. not to compete?

Mr. PARSONS. I do not read it in that way.

Mr. GARRETT. At least not to compete by reducing prices in any way.

Mr. PARSONS. The American Co. said that by accepting that contract with the beet company, "We will help you in certain ways, and we will not help you in certain other ways."

Mr. GARRETT (reading):

And you are to use your good offices, when asked, to endeavor to obtain favorable rates on freight from points of our production to the consuming markets required.

Mr. PARSONS. Is there any objection to that? Pardon me for asking you the question. It is for you to ask me the questions, but I want to emphasize the fact that in my opinion that is most legitimate.

Mr. GARRETT (reading):

The arrangement does not apply to the New England States, nor does not involve any curtailing of your product, and does not put any limitation upon ours.

Mr. PARSONS. It would seem to me that was most suitable.

Mr. GARRETT (reading):

Its essence is that we shall have your hearty cooperation along the lines above stated.

You mean it is most suitable that the arrangement should not apply to the New England States, or altogether?

Mr. PARSONS. I think if the parties desired to exclude the New England States, it was most reasonable that they should be gratified. There was no law which compelled the American Co. to help the beet company in New England. Now, Mr. Garrett, what is this except an agency contract, and what argument is there that the American Co. was to help them to sell anywhere, unless the American Co. was willing to do so, and upon such terms as were agreed to, and New England was left out.

Mr. GARRETT. Yes; and I wondered why the American Co. was not willing to help them there.

Mr. PARSONS. I can not recall what may have been said to me, if anything, upon that subject. The contract seems to me, in that regard, to be unobjectionable and not to require therefore any explanation on my part.

Mr. GARRETT. You did not inquire into the reason for excluding New England, and no reasons occurred to you at the time, that you remember of?

Mr. PARSONS. Not that I can remember now. Something may have been said. The whole thing may have been explained; I can not recall now.

Mr. GARRETT. This contract was to expire in 1912 or 1913, and according to your view of it, this is still an enforceable contract.

Mr. PARSONS. Yes; if I am correct in my view of the law, and that is what I hope will be tested. It certainly would have been if Mr. Havemeyer had lived and I had been counsel. I was willing to tie the matter up until the Supreme Court made its pronunciamento; and now that it has done so, I will go to any tribunal to say whether that is a reasonable arrangement or not and in the interest of the public.

Mr. GARRETT. Now, Mr. Parsons, what do you know about the acquiring of interests in the beet-sugar companies?

Mr. PARSONS. I know this. From an early period I began to hear gentlemen talk about the beet industry. I knew something about it as existing in Europe in a general way. I knew nothing about it as existing here. I got the impression that on the part of well-to-do people, who could pay for what they preferred, there was a preference for cane as against beets. The beet did not meet the American taste or palate up to the point of cane, and the chances therefore were that cane, where it was an even question, would be chosen, the price being the same, as against beets. The matter was talked of in a general way. It was the subject of observation, and then I saw that there was a growing interest in the beet industry, and I began to think over the matter. It was talked of, undoubtedly, in conversations I had, and I remember this particular fact, that there came a time when Mr. Henry O. Havemeyer, the then president of the American Co., invited me to go on a railroad ride through the State of Colorado and perhaps some other States, but I remember particularly being at Denver, and the purpose was to obtain information about the beet-sugar industry. Now, I remember perfectly well—if this is what you are asking me about—there came a time when I reached the opinion that the American people would prefer beets of America as against cane of Java, the Philippines, or Cuba, or anywhere else, and that it was a desirable thing to promote the beet-sugar industry, and in just that proportion it was a desirable thing that the American Co. should get in touch with beets. Now, when you come down to the practical outworking of that, so far as I had to do with it, I think what I must have said and what was in my mind was that it was the right of the American Co. to supply itself with raw beets, either by cultivating the beets themselves, as I understood to be done in California, in their own name, or by organizing corporations to do it; and then, later, came the question of acquiring interests in beet-sugar corporations. Now, I have

listened to the testimony, and I have read what has been said, and so far as I know, I never had anything to do with the situation in Utah, in Idaho, or in any definite way with the situation in Michigan, but I did have to do, in a material way, with what became the Great Western Sugar Refining Co., located at Denver.

Mr. GARRETT. You say you had to do, and in a material way, with that company?

Mr. PARSONS. Yes.

Mr. GARRETT. To what extent, Mr. Parsons?

Mr. PARSONS. May I premise what I have to say by alluding to what has happened here? I think somebody—perhaps it was Mr. Hinds—at one time raised the question about the propriety of having the American Sugar Co., through its board of directors, acquire minority interests in other corporations cultivating beets. Now, I came to the conclusion that that was to the interest of the American Co., and that it was to the interest of the American Co. that any interest which it had in beets would be better off if the administration was by capable people on the spot, and more particularly if the American Co. did not have the responsibility of control; and if, therefore, there could be made an arrangement by which capable, intelligent people on the spot, who knew the needs of the community, who were in touch with their own community, would assume the responsibility, and what would be left to the American Co. would be to receive the results, that that was a desirable arrangement, and, so far as I had to do with the formation of the Great Western Co., it was upon those lines. Now, in that connection, I became acquainted with Mr. Morey, who was examined by your committee as a witness in Washington. Mr. Morey came to New York, and I saw him on occasions. I saw him on many occasions in New York, and I came to the conclusion that if Mr. Morey would carry on that business or have the responsibility for that business that the American Co. could stand to one side, and all that would happen would be gathering in the dividends, and I think that has been about the way it has been done. I do not think the American Co. had anything to do with that company. I think it has been under most admirable local control, in the interest of the local community—in the interest of the public—and with the result of an enormous increase in beet production, as, I suppose, with the practical result of benefit to all concerned.

Mr. GARRETT. Do I understand——

Mr. PARSONS (continuing). I wish to add one word more. Once in a while a question arose, and once in a while a good many questions arose which concerned this whole situation, and for a time I was the nominal counsel here of the beet company. The beet company had very able counsel in Denver, but once in a while some question would arise, and I was waited upon, I think, by the Denver counsel, and I am very sure Mr. Morey came to see me from time to time. So that from the Great Western people I was pretty well informed about the situation. I do not think there ever was very much occasion for me to speak with the American Co. people about the matter, unless, as I was a member of the board, a time came when action was to be taken, if you please, for the purchase of stock, and I may have known about that, and if the minutes show that I participated or that I

took part in any such transaction I can not remember now, but the minutes would show that.

Mr. GARRETT. Do I understand, then, that you advised Mr. Havemeyer to buy stock in the Great Western Co., provided Mr. Morey would retain the management?

Mr. PARSONS. I do not think it comes down to that, Mr. Garrett. Here was a subject about which Mr. Havemeyer knew everything and about which I knew comparatively little. There is not any doubt whatever that I gave him to understand that I was of one mind with him in respect of this matter.

Mr. GARRETT. Mr. Morey testified that when he first came on here to try and sell the stock, Mr. Havemeyer made him an offer, or rather, asked him his price, and he stated the price, being prepared to take a less price if necessary; and that Mr. Havemeyer's manner in answering him was so abrupt that it angered Mr. Morey somewhat, and he arose and left the room; and that it was some time later when negotiations were reopened, and Mr. Havemeyer then said to him he was willing to buy the stock except that owned by Mr. Morey. They wanted to retain him in control. I was interested in your statement just now to know whether or not you were responsible for Mr. Havemeyer taking that position and desiring to retain Mr. Morey in control, or whether or not that was a thought of Mr. Havemeyer, or the joint conception of the brains of both of you.

Mr. PARSONS. Not only absolutely no, but I think that Mr. Havemeyer absolutely agreed in the end, whatever may have been the fact at the beginning, that Mr. Morey was the man, and I can remember some occasions, I think, when I saw Mr. Morey and Mr. Havemeyer together, because once in a while there was some necessity of talk, although I do not remember exactly what, and I got the impression that Mr. Morey liked Mr. Havemeyer and Mr. Havemeyer liked Mr. Morey. But if it was very hot and Mr. Morey came in and bothered Mr. Havemeyer when his mind was upon something else, he might turn around and give him a short answer, as I have done on occasion.

Mr. GARRETT. I think this was their first meeting.

Mr. PARSONS. I can see from what you tell me that it was characteristic of the two men. Mr. Morey naturally wanted to get a good price for his stock, and if Mr. Havemeyer was going into it, he wanted him to buy on good terms, and Mr. Havemeyer may have said "I do not want to bother about the matter," and Mr. Morey may have taken his hat and gone on out. I think that is business.

Mr. GARRETT. Do you know anything about the organization of the Tawas Sugar Co. in Michigan?

Mr. PARSONS. Nothing whatever. I have said to you that I do not think that I ever knew anything about the Michigan situation, except in a very general way, that the company had taken interests in the beet industry in Michigan.

Mr. GARRETT. It is charged in this petition which I hold in my hand, filed by the district attorney against the American Sugar Refining Co. and others, that—

In December, 1902, The American Sugar Refining Co. and Charles B. Warren caused Tawas Sugar Co. to be incorporated under the laws of Michigan, and shortly thereafter to erect a beet-sugar factory at East Tawas, Mich., and

caused it to operate same until October, 1905, and to engage in interstate trade and commerce in beet sugar; about October, 1905, they compelled it to cease all operations, and shortly thereafter to sell its machinery to Carver County Sugar Co., and then they caused the company to be dissolved.

You were a member of the board of directors at that time?

Mr. PARSONS. Of the Tawas Co.?

Mr. GARRETT. No; of the American Sugar Refining Co.?

Mr. PARSONS. Undoubtedly.

Mr. GARRETT. It is charged that they, in connection with Mr. Warren, caused this company to be organized, and I was wondering whether you had any recollection of any action taken by the board of directors?

Mr. PARSONS. I do not know that the thing occurred. It may have occurred, but I do not know anything about it. What you read me is the first information I have ever had on the subject.

Mr. GARRETT. In a general way, what do you know about Mr. Warren's connection with the matter? You know Mr. Warren, do you not?

Mr. PARSONS. Well, I meet a great many hundreds of people in the course of a year.

Mr. GARRETT. Certainly; but you know Mr. Warren, do you not?

Mr. PARSONS. Pardon me; I do not think so.

Mr. GARRETT. Don't you know Mr. Charles B. Warren, the president of the Michigan Beet Sugar Co.?

Mr. PARSONS. I do not think so. I can not remember any occasion which required I should see him, and I have no recollection that I ever saw him. I read the testimony which he gave, and I regretted that I have not known him.

Mr. GARRETT. Did you ever have any correspondence with him?

Mr. PARSONS. Not that I recall. I can not see why I should have.

Mr. GARRETT. Do you know why it was that the acquisitions of the American Sugar Refining Co. in the Michigan Beet Sugar Co. were for some time held in the name of Mr. Warren?

Mr. PARSONS. I did not know the fact, and therefore, of course, I can not know the reason; but I can imagine. Am I to guess?

Mr. GARRETT. We would be glad to have the benefit of your imagination in that respect.

Mr. PARSONS. I think it is a pretty usual transaction when a person wants to acquire an interest that he does it without the help of the other side. That would be my way of doing it.

Mr. GARRETT. Well, Mr. Warren was the other side, was he not?

Mr. PARSONS. No, sir; the persons from whom the stock was to be bought were the other side, were they not?

Mr. GARRETT. Well, perhaps. He was the president of the company.

Mr. PARSONS. But he was buying the stock of other persons. You do not ordinarily go to the other persons and say, "Here, put up your price," but you go to the other persons and say, "I want to buy, and don't put up your price."

Mr. GARRETT. In other words, what you mean is this, as I understand, that if it had become publicly known that the American Sugar Refining Co. was in the market seeking to buy stock, that it would probably have had the effect of making the holders of that stock put up the price.

Mr. PARSONS. I should imagine that was a general proposition, applicable to every industry.

Mr. GARRETT. If it had been known that a strong institution like the American Sugar Refining Co., strong financially, potentially, and in every way, was out trying to buy stock the holders would not have parted with it quite so cheaply as if they would buy it through an agent.

Mr. PARSONS. I can only tell what I would have done under those circumstances. I think I should have held on for a better price.

Mr. GARRETT. If you had known of such a purchaser?

Mr. PARSONS. Yes. If I had known somebody wanted to buy, I would have said, "All right; you will have to come to my terms." If I wanted to sell, the situation would be the reverse. That is a transaction which happens a million times a year and applies directly on the question whether to all this enormous business is to be applied what I call the regular rules of trade or whether there is to be substituted congressional action.

Mr. MADISON. You do not assume we would do anything that would interfere with the natural flow of trade through the natural channels?

Mr. PARSONS. Judge Madison, I want to satisfy you and the gentlemen of this committee, if I can, that the sufferers by all this agitation, in the end, may be everybody who is concerned.

Mr. MADISON. I thought there was an implication perhaps that congressional action would in some wise impede the natural flow of trade.

Mr. PARSONS. If Congress would listen to me, I would tell them what I think, but they won't; and what is the use of my saying anything about it? But you gentlemen are Members of Congress, and the responsibility is with you, and I want you to act in accordance with what you think is in the public interest.

Mr. MADISON. And we would be very glad to hear from you. I am very much interested in what you have said.

Mr. GARRETT. Mr. Parsons, that suggests this question to my mind: We have asked the question of some of the witnesses, and you have given great study to these economic and industrial conditions. You have read the testimony given by Mr. Gary before the steel committee?

Mr. PARSONS. I have read what the newspapers have said about it.

Mr. GARRETT. And you heard here the statements of Mr. Thomas, to some extent along the same lines, made either yesterday or the day before?

Mr. PARSONS. I did.

Mr. GARRETT. As to the matter of the Government taking control of the large industrial institutions and exercising over them a control similar, if I catch the idea of those gentlemen, to that exercised over common carriers, even to the extent of fixing prices, and so forth. I think it would be interesting to the committee to hear your views on that question, if you do not object to stating them briefly.

Mr. PARSONS. I saw a statement to the effect that the relations between the steel company and the railroads was such that the steel company sold steel without taking the trouble to fix a price, and that the railroads practically fixed the price, or, in other words, that there is such an intertwining of interests between the steel companies and

the railroads that to a certain extent they stand upon the same platform. Now, I recognize at once that in the affairs of corporations of that kind, which bear upon communication between different parts of the country—the railroads, and so on—it would be a very desirable thing if a great corporation like the steel company, big enough that what it wished, if reasonable, should be adhered to, should be able to go to a tribunal and say, "We want to sell at this price. Help us to do it." But if you apply that principle to general merchandise, to a business which deals in ordinary commodities, see where it will land in the end. Here is a little village, and here are two persons engaged in selling groceries, and they think of coming together and uniting their interests, and somebody says something about the Sherman law, and then they say, "Oh, well, what we can do is to go to Washington to some tribunal and get the permission of that tribunal to do what we want." Now, can general business be done upon any such rule as that? I tell you, upon that idea you will ruin the business of the country.

The CHAIRMAN. You except railroads, because they are public-service corporations?

Mr. PARSONS. Mr. Hardwick, I except every corporation which obtains a franchise from the Government. A railroad can not exist except in the exercise of the right of eminent domain. The Government says, "We will permit you to take from A his property and turn it over to you," and the Government may say, "But we will regulate the conditions which shall be the outcome of that." But when you come to the question of selling sugar, or selling tobacco, or selling ordinary commodities, I think anybody can see what is going to happen to general business if there is followed out the rule which is suggested in the speech of a very distinguished gentleman reported in the newspapers to-day.

The CHAIRMAN. To fix prices of dry goods, groceries, hats, or shoes by statute, whether national or State, would be socialism run riot.

Mr. PARSONS. Well, that is my opinion. I wonder if you gentlemen have ever thought of the old fable of the goose that laid the golden egg, the idea of getting more golden eggs is to kill the goose.

Mr. GARRETT. Now, if we may theorize for a moment on these academic matters, and perhaps they are not so academic now, in the case of a railroad company, there is not any difference in principle in a railroad and a turnpike.

Mr. PARSONS. And a turnpike?

Mr. GARRETT. Yes; so far as the principle is concerned. A railroad is a highway—technically different in character, of cource, but a highway nevertheless. It has always been the policy of governments, so far as I know, to maintain highways—the navigable streams, the ordinary dirt roads of the country, the streets of the city, and in many of the States, perhaps in all the States, there have been turnpike companies organized under the authority of some statute to construct a highway and charge a certain toll for it. But the Government, whatever it may be, the county or the State or the municipality, has held in its own hands the right to fix the toll or the amount that should be charged for the use of them. For instance, the Brooklyn Bridge here—I noticed something in the paper this morning about the bridges generally being made free. The Govern-

ment has always held, has it not, here, the right to fix the toll over that bridge and to say how much the bridge company should charge?

Mr. CRAWFORD. They are not private enterprises. They are all municipal.

Mr. GARRETT. But even where a turnpike is constructed by private enterprise, a bridge, or any other highway, the Government has held the right to say what it shall charge, because it was supposed to be constructed primarily for public benefit. Now, the same principle applies precisely to a railroad that would apply to a turnpike, does it not?

Mr. PARSONS. I do not know of any case applicable to a turnpike such as you suggest.

Mr. GARRETT. Well, in my own State, and I supposed in almost every State in the Union, many years ago companies were organized in various counties and were given the right to improve certain highways, being created as corporations, and were given the right to charge certain tolls. The legislature of the State or the legislative body of the county, as the case might be, retained the right to fix the amount of the toll. The railroad, as I see it, is in principle no different whatever. Of course there is a difference, technical in its construction; but it is a highway, and the only reason the Government grants to the private individuals the right to built it is because it will be for the public benefit. It is entirely different from an organization that manufactures sewing machines or sells soap or something of that kind, and a different principle applies.

Mr. PARSONS. If what you want is to have me agree that where a particular organization—a turnpike company, if you please—obtains some legislative privilege that carries with it the right on the part of the legislature to impose conditions, I agree to that.

Mr. GARRETT. And precisely the same principle is applicable to the railroad, is it not?

Mr. PARSONS. That is what I have endeavored to make clear before, that in the case of the great franchise corporations the terms upon which they shall enjoy their franchise may be within legislative direction, but that is not applicable to general business.

Mr. GARRETT. To general industrial business, such as the manufacture of sugar.

Mr. PARSONS. No business of which I know that is general in its character.

Mr. GARRETT. But you did suggest, if I understood you correctly, that in the case of steel companies, by reason of the fact that they manufacture rails, there might perhaps be some reason for it.

Mr. PARSONS. When I read what Mr. Gary said, I came to the conclusion that there was just that relation which would justify the steel company, and a very able president of the steel company, in saying, "Yes; that fits our case."

Mr. GARRETT. That would apply to a lumber company that manufactured crossties, would it not?

Mr. PARSONS. I do not know anything about a lumber company that manufactures crossties. I should not think so.

Mr. HINDS. You speak of the intervention of the Government in a corporation that has no franchise, and which is, so to speak, a free and independent citizen, without asking or receiving favors from the Government; and you think those are not amenable to regulation by

the sovereignty. Perhaps I am stating your answer a little broadly, but that is the purport of it, as I understood you. Now, a little while ago you were speaking of the issue of stock and the question of water in stock, and you said that the certificates of the trust were exchanged for the securities of the corporation that was bought, and you spoke of it as an interchange of paper, I think. I can not remember your exact language.

Mr. PARSONS. That was the idea, certificates of stock for certificates of interest.

Mr. HINDS. Now, the condition of society being as it is, is that interchange of paper wholly a private enterprise, in which the public has no interest?

Mr. PARSONS. Mr. Hinds, that is a matter which has been dealt with in a great many of the States which have legislated upon the subject of who are interested in a transaction of that kind; I mean, the incorporation of an industrial interest, if you please, and the amount of its stock. That has led, as I think, to the recognition that so far as the persons themselves are concerned, they can do as they choose. So far as their dealings concern the rights of creditors, creditors have the right to see to it either that there shall be something which is represented by the stock, or if not, that there shall be individual responsibility on the part of those concerned. When the Sugar Refineries Co. was established, the opinion which I entertained, and which I have no doubt I expressed, was that it was after the fashion of the express companies—a great big partnership, the parties interested liable for debt, bound to see that everybody who had dealings with them was paid, and that therefore those who joined must look after their individual interests. We have a limited liability company act here which is applicable to the express companies and other kindred companies. When you come to the question of a corporation, the same question, in a way, arises, and what I have always advised was that those who were concerned in the establishment of such a corporation must see to it that if they organize on the basis of what you call water—that is to say, something additional to what is represented in bricks and mortar—and they get in debt, they are to be treated as subscribers to the amount of the nominal capital and to be compelled to make it good if the rights of creditors intervene.

Mr. HINDS. But may it not go a little further than that, where it is proposed to make a great collection of industrial units, affecting wide ranges of people; may it not be that the sovereign power may intervene to supervise the composition of that great aggregation in such a way that that composition shall be fairly represented in value, and that there may be put into it no undue allurements to those people who are to come into it? For instance, I will illustrate that a little further. Mr. Atkins testified that he would never have put his refinery into the trust for the purely business reason of avoiding competition, but that it was the large bonus which he got that induced him to put it in. I think that was his testimony. May not the sovereign power intervene to the extent of supervising those blandishments?

Mr. PARSONS. In certain respects. You can not answer that question in a general way. In certain respects, yes. I have indicated

one. The company has a dealing with the community. Now, the community is not to suffer by the inability of the company to pay, because, as you know, these corporations are of limited liability. I mean the individuals are not liable; and if they organize on a basis larger than what is justified, I think that the proper course is to have a receiver appointed and see that they make their assumed subscriptions good; and that has been done time and again.

Mr. HINDS. So that you would agree that within a certain domain the sovereignty may intervene in great corporations that are not of the nature of public-service corporations, or that do not have franchises, or that do not receive franchises and privileges from the State?

Mr. PARSONS. Are you treating this as a question of power or of policy?

Mr. HINDS. As a question of policy.

Mr. PARSONS. Then I think that the Government had better let things pursue their natural course, and if anything arises in the progress of events which requires action, then take it.

Mr. HINDS. It is hard to lock the door after the horse is gone.

Mr. PARSONS. Mr. Hinds, the other alternative is this—and I want you gentleman to consider it. I have given a great deal of thought to it. The other alternative is that nothing shall be done. You can not organize a great corporation on the basis of the dollars and cents value of the mere physical property which is put in. It means the ability of making money and, through the fact of capitalization, obtaining money by which the operation can be continued. Now, you stop it and the business is not done. You permit it, and then you have got a system of railroads and industrial corporations, and of organizations throughout the whole country, to which I think we owe the prosperity of the country.

Mr. HINDS. But in the case of the Boston refinery which was put in, where the bonus was the inducement, did not that go a little beyond the pure business reasons of the transaction? Did it not go to the love of ease, to the hopes of the future, which the individual had, as disassociated from his business?

Mr. PARSONS. Are you speaking of the Atkins case?

Mr. HINDS. Yes.

Mr. PARSONS. I heard Mr. Atkins described yesterday as a gentleman who was so anxious to do work that he was willing to work without pay.

Mr. HINDS. Yes; but he testified before us that he was excessively tired of competition in the sugar business.

Mr. PARSONS. So should I be if I was in any business.

Mr. HINDS. In other words, does not that go beyond the legitimate business argument? For instance, we may make an argument of public policy to a voter, but when we say to him there is an office in it for him we have passed beyond the proper domain of statesmanship and public citizenship.

Mr. PARSONS. Well, I never had any experience upon that subject.

Mr. HINDS. If I refer to my own experiences rather than yours, you will excuse me. It is not from selfishness, but from a desire to illuminate the subject.

Mr. RAKER. Do you mean to say, Mr. Parsons, that you do not believe corporations can organize and do business upon a physical valuation of the properties of the corporation?

Mr. PARSONS. I have not intended to say that, Judge Raker.

Mr. RAKER. I thought that was just what you said. It seems to me so remarkable that I would like to have you explain it.

Mr. PARSONS. What I have intended to say was that if you are going to invite in capital to aid in an enterprise of a kind which means $50,000,000 or $150.000,000, and you have got $5,000,000, you have then to consider what is going to bring about the assistance of the outside capital; and I will repeat here what I have said time and again, and what I thoroughly believe, all this talk about reports by corporations which give a valuation of their property and communicate no information, the question whether the stock is this or that to me means practically nothing. I want to know who are the men, what is their ability, what is their integrity, and then if I had money I would go in; otherwise, I would not.

Mr. RAKER. But outside of the men, don't you believe that it is the only legitimate way to do business, and ought to be the only way of doing business, that when a corporation starts out claiming it has $25,000,000 worth of property, that it ought to have that amount of property in bricks and mortar, instead of having bricks and mortar of the value of about $2,000, and the rest of it in water?

Mr. PARSONS. Well, I do not call it water. I think it is a combination of business ability and of experience and of long devotion to the business, plus the bricks and mortar.

Now, I have been thinking over the matter this morning, and let me tell you who were the persons who went into this arrangement. Theodore A. Havemeyer and Henry O. Havemeyer; I have told you about them. I am very sorry that Theodore and his brother died, that you might not have had the opportunity of seeing them. They were men of mark, and would have been successful in any business to which they applied themselves. John E. Searles was as capable a man as any man of whom I knew. I very often differed from him, and Mr. Havemeyer very often differed from him, but was always willing to hear him. Joseph B. Thomas, who was a big man before this industry. Matthiessen, of Matthiessen & Wiechers, who from nothing had built up the great Matthiessen & Wiechers's refinery. William Dick, who was one of the original board—and all of these men whom I have mentioned were members of the original board—William Dick, of the firm of Dick & Meyer. Hector Havemeyer, of the Havemeyer Sugar Refining Co.—all of those men came together. They gave to this business the benefit of their experience, their knowledge, their character, and is that represented in mere bricks and mortar? I say no. If I want to have an interest in that business I do not expect to get it on the basis of bricks and mortar, but I may expect to get it on the basis of what can be earned by an organization which has the benefit of the talent of these men, and the benefit of the property which has grown up in the way I have stated.

Mr. RAKER. Then, as I understand your answer, in the formation of a corporation, to make it a success the legitimate way to present the matter to the public would be to have about 10 per cent bricks and mortar and 90 per cent brains and experience, and then sell the whole thing out on the market at 100 per cent?

Mr. PARSONS. You understood me to say that, Judge Raker?

Mr. RAKER. Is that what you mean?

Mr. PARSONS. No.

Mr. JACOWAY. Just to illustrate the matter, suppose you were going to form a corporation of $100,000. If the men who were to run the corporation were scrupulously honest and entirely capable, and you had $100,000 worth of physical property in the way of machinery and bricks and mortar, and all other appointments necessary for the successful running of that corporation, how much stock would you issue, and what would you capitalize for?

Mr. PARSONS. I do not know that I could answer your question right off; but I can answer you in a general way. It certainly would be something very largely in excess of the mere value represented in what was physical. Something beyond that. Now, I am just as much opposed as any of you gentlemen can be to what is called water or wind, if you please. There have been plenty of illustrations of it, and the local legislatures of New Jersey and New York have dealt with the question; and while I will not go to the one extreme of a mere valuation of bricks and mortar, I will also not go to the other extreme of an unlimited right to issue stock.

Mr. JACOWAY. Following out your reasoning, which I have tried to follow, how much stock would you issue in a case like the one I have suggested?

Mr. PARSONS. If that business was producing $100,000 a year on the basis of $100,000 of bricks and mortar, it would be somewhere about $2,000,000; $100,000 is a fair return to produce on that amount; somewhere along there.

Mr. HINDS. Do you not think that, in a delicate decision like that, the question is something that ought not to be left to a hit or miss arrangement of interested parties, but ought to be under the supervision of the sovereignty, like the administration of justice, or anything of that sort? I mean in the case of a big corporation which affects the whole people or a great part of the people.

Mr. PARSONS. I think it ought to be under the administration of the Government up to the point of protecting persons who deal with a corporation—creditors, if you please—but when it comes to the question of those who want to operate in the stock, want to buy the stock, with their eyes open, or with their eyes closed, I can not see why the Government should interfere.

Mr. HINDS. What about the consumers of the product; where one concern controls 75 per cent of the total output in the Nation, as was the case with the Sugar Trust at one time; does not the consuming public have an interest in that delicate estimate as to the amount of stock?

Mr. PARSONS. Mr. Hinds, in the view I take, there is no relation between the two. The price to the consumer of sugar would be precisely the same under the circumstances in evidence here, whether they saw fit to capitalize their property at $1 or $100 or $100,000 or $100,000,000.

Mr. HINDS. Well, that goes into a wide domain, where the public of the United States think it does make a great difference, and that is one of the things we are trying to ascertain here, I suppose.

Mr. PARSONS. Shall I tell you a story bearing upon that matter?

Mr. HINDS. It is in Judge Garrett's time; I would be much pleased to have you do so, if Judge Garrett will permit.

Mr. PARSONS. I think that if an industrial organization has got a good thing, they had better hold onto it. But sometimes persons differ. It is in evidence here that Mr. Havemeyer parted with his stock in the sugar company. I learned it here, and I was glad to learn it, because I saw then his interest was solely as president, to look after the interests of his constituents. Now, I went to the annual meeting of the company on one occasion, and as long as I was active as counsel I attended the annual meetings, and I can tell you all about them, how it was done and what happened, if you wish to know. We came away from an annual meeting, and we had to cross the ferry. I happened to be walking with Mr. Havemeyer, who pointed to a man whom I did not know. He said, "Do you know him?" "No." "I will tell you who he is. He is one of the original people, and he got 10,000 shares at the beginning, and he is better off than any of the rest of us. He held onto his interest." Now, that is a measure of the value, is it not? That is the practical thing, what he thought and what the persons who bought the stock thought.

Mr. HINDS. How much anticipation of the future ought a man to have the opportunity of cashing in?

Mr. PARSONS. Whatever is reasonable and the dear public is willing to approve, and I do not see that a legislative body is under the necessity of saying to A, B, C, and D. "Here, keep your hands off buying stock." That is a matter which is personal to the investor.

Mr. MADISON. Would you have no governmental regulation of that matter at all?

Mr. PARSONS. No; I would not. I should say if any woman—there has been some talk here about women—or if any minister—there has been some talk here about ministers—came to me and said, "Shall I buy steel stock or tobacco stock or sugar stock? What do you think about it?" I should say, "If you are satisfied it is earning the money and you believe in the men, yes; if not, no."

Mr. MADISON. And you would not have any governmental regulation of the matter of the issuance of stock by corporations?

Mr. PARSONS. Not so far as was concerned the wish of persons to speculate in the stock or buy the stock. Now, Judge Madison, let me tell you this, as it bears directly upon what has been testified here as to this question of publicity, and I suppose I shall be examined about that later on. I have very positive ideas upon that subject. Everybody has seen statements published by the railroads, published by industrial corporations, a balance sheet which begins—take the Union Pacific Railroad, and I am saying the amount by way of illustration, we will say $323,000,000. Now, will any person in his senses bargain on the basis that it is $323,000,000? It may be $500,000,000 or $300,000,000; who knows?

Mr. MADISON. I do not know that you exactly understand me. Of course, corporations are creatures of the law. Now, then, would you not have the law regulate the amount of stock that a corporation might issue, and what it might issue it for?

Mr. PARSONS. I would have the law do what the law does do, so far as I know. Say to the persons who desire to incorporate a company, "You must have your stock represent value." But if what you

mean is that the value shall be merely the value of the bricks and mortar, no.

Mr. MADISON. Now, then, assuming that the Government says that the stock must represent value, then we can tell the physical value of the bricks and mortar, and of the buildings, and the value of the land; we can measure the value of physical, tangible property. We can, to some extent, measure the value of franchises and good will, but when it comes to the question of measuring the ability of men and the length of time men will live whose lives are essential to the prosperity of the business—as, for instance, when Mr. Havemeyer died there was a change, maybe for the better, but there was a notable change—and whenever the masterful men pass away, there is a change. Sometimes it means bankruptcy and failure. Now, then, when it comes to measuring the value of the lives, the value of the ability, it is impossible for men to measure that. If you have any way by which you can express that in dollars and cents, by which you can measure it, I would be glad to hear it.

Mr. PARSONS. I do not think you could express in dollars and cents any one of the constituents which you put in your proposition. You say you can not estimate the value of brick and mortar upon that principle?

Mr. MADISON. I mean measured by the market value, which is the best known standard that men have ever been able to attain.

Mr. PARSONS. That is to say, in the case of a sugar refinery, it will bring so much if put up at auction?

Mr. MADISON. Not at any forced sale. You are too good a lawyer to say that.

Mr. PARSONS. Put it up at auction and advertise it for a year—is that the best?

Mr. MADISON. Take the judgment of three good men who are in that kind of business as to what a man who wanted to buy would pay under fair circumstances. That is a test that the law has applied ever since we have had a law, almost. It is the best known test and fairest test man can devise. Then nobody gets the worst of it.

Mr. PARSONS. I do not see how it is possible to apply such a test to the situation, the situation here; but the next constituent mentioned by you was the value of the franchise. Are you going to determine the value of the franchise in the same way—what it will bring if we put it up at auction?

Mr. MADISON. I think there is a fair way to measure that.

Mr. PARSONS. Judge Madison, I think these are all practical questions which have got to be determined at their peril by the persons who are concerned, they being compelled to keep within the limits of what can be justified.

Mr. MADISON. I only want to say—and then I hope Mr. Garrett will resume—that I can not follow you to the point where you measure the question of ability of men in possession of the property, men whom, I am sorry to say, are transitory and pass away. I can not follow you that far, and no legislature can devise a means of doing it. If you leave that open to say you may capitalize your property upon the ability of the man who is in possession to-day, then, to use an expression somewhat common in the streets, you simply "take the lid off," and there is no limit.

Mr. PARSONS. I am capitalizing the ability which was a fact at the time. Let me tell you what happened.

Mr. MADISON. I do not think there ever was a better illustration—in all fairness I say this, and I have tried to have an open mind on this matter, as we all have—I do not think there ever was a better illustration of men being able to guess what they could do. They did not have confidence in it themselves, as illustrated by your story. Havemeyer did not believe in his guess, or he would not have sold his stock. The man that held the 10,000 shares was better off than he, because he either believed in their guess or else, for some reason or other, held his stock. Havemeyer did not believe in it and sold out right away. He did not know whether it was going to work out or not. But this man did guess right on the amount which this business could carry and make money, and it was a guess, and the most forcible illustration in the world that your idea is not dependable—the fact that the very man who made the guess in this instance did not believe in it and unloaded the first minute he could.

Mr. PARSONS. I know nothing whatever about the unloading and about the facts to which you refer. I still get back to the proposition whether the value of the plant that can earn $100,000 a year is $100,000, or whether it is $1,000,000 or $2,000,000. I did want to say this, because you will recognize this:

In the city of New York there are two properties adjoining each other, on Broadway, right here, and I will assume the value of one is $100,000 and the value of the other is $100,000, and you put them together they are worth $300,000.

Mr. MADISON. Yes; I think that is often true. I think it is true that this property combined is worth a whole lot more money than it was separately. I think there is no question about that; but I think you had a right to take a fair increase over and above the actual physical valuation, and nobody would have objected to it; but I think the evidence here shows that the amount of water was about $25,000,000 on the original $50,000,000.

Mr. PARSONS. I am not going to dispute what you tell me is in your mind in regard to that matter.

Mr. MADISON. I am simply saying what the evidence shows up to this time, and I am not passing any final conclusion on the matter, and one of the reasons why I said that was that I would be glad to receive further light on it. We have been groping in the dark and trying to find out what the physical valuation of the property was, but by circumstances, one and another, I have arrived at that conclusion.

Mr. PARSONS. Do you think one of these gentlemen would have sold this property at what you call the physical valuation? No, no. It was worth a great deal more.

The CHAIRMAN. If some were about to fail, it was not worth as much.

Mr. PARSONS. Were any of them about to fail?

The CHAIRMAN. Mr. Oxnard said he was about to go under.

Mr. PARSONS. Ask Oxnard.

The CHAIRMAN. We did, and he said he was glad to get anything he could.

Mr. PARSONS. Oxnard shakes his head. He said he did not say it.

Mr. OXNARD. I said "no" there.

The CHAIRMAN. I understood him to say competition was so fierce he was very glad to sell out.

Mr. PARSONS. Competition had reduced the value of the property.

The CHAIRMAN. And yet you were capitalizing them as going concerns. Mr. Oxnard's evidence is a matter of record, which will show for itself.

Mr. PARSONS. Yes. I think Oxnard did very well. [Laughter.]

Mr. GARRETT. Mr. Parsons, do you know anything about the sugar war in Missouri River territory in 1901?

Mr. PARSONS. Absolutely nothing; I do not remember that I ever heard of it.

Mr. GARRETT. You do not remember that you ever heard of it?

Mr. PARSONS. I do not recall now that I ever heard of it.

Mr. GARRETT. Let us see if a statement of what has been in a way testified to before us will refresh your memory. I am not stating accurately what has been testified before us, and what I have read elsewhere, but substantially this is the information that has been brought before this committee:

In 1901, some time in the fall, I think, just about the time the beet-sugar people were ready to put their product on the market, the American Sugar Refining Co., from their New Orleans plant, I think, loaded that whole valley with sugar, which they put on the market at a much less price than the beet-sugar people could possibly sell their product for. That is substantially as it has been stated before the committee.

Do you know anything about that?

Mr. PARSONS. Nothing whatever. I never heard of it in any such concrete form as was put in your question until you made the inquiry. Probably, as I looked over the testimony, I may have noticed something bearing on the matter.

Mr. GARRETT. Independent of the testimony, do you have any recollection of any conversations with the directors or Mr. Havemeyer?

Mr. PARSONS. Not the slightest thing about it.

Mr. GARRETT. You have no recollection whatever on the subject?

Mr. PARSONS. None, whatever.

Mr. GARRETT. Why were the consolidations of the several beet-sugar companies brought about?

Mr. PARSONS. What are they?

Mr. GARRETT. For instance, there were quite a number of beet-sugar companies in Michigan, independent companies. They were all organized under one head, the Michigan Beet Sugar Co. Why was that?

Mr. PARSONS. If you ask me why, inquiring for a fact, I do not know. I do not know the fact that it was so.

Mr. GARRETT. If you are going into reasoning about it you will give the same reasons that apply to bringing together of the various interests in the American Sugar Refining Co.?

Mr. PARSONS. I should think that would be the situation.

Mr. GARRETT. The same line of policy would run through that?

Mr. PARSONS. I should think so.

Mr. GARRETT. By the by, those companies there, generally speaking, those several factories were not organized into one corporation

until the American Sugar Refining Co. began to be interested in them, were they?

Mr. PARSONS. I do not know anything about it.

Mr. GARRETT. Mr. Chairman, I believe there are no further questions.

The CHAIRMAN. Gentlemen, before we continue this examination, the time the committee can remain in this city is necessarily limited, and we have one or two important witnesses besides Mr. Parsons.

Mr. PARSONS. You call me important, do you?

The CHAIRMAN. Very interesting, at any rate. Therefore, I will ask each member of the committee, while I want to get as much light as we can, to do their best to avoid duplication and to shorten the examination so much as is possible consistent with getting the necessary light upon these matters. In other words, let us not argue with the witness too much.

Is there any other gentleman now ready to take up the examination? Are there any other questions to be put to the witness?

Mr. HINDS. I think I have nothing further to ask, Mr. Chairman.

Mr. MALBY. I have a very few questions, Mr. Chairman.

For the most part, Mr. Parsons, I think my inquiries will be somewhat of a fragmentary character, in order to fill in some little places here and there I did not fully understand.

Taking the North River Co., I see I have noted a question as follows: Were the proceedings commenced to condemn the property for park purposes prior to the taking over of it by the American Sugar Refining Co. or not?

Mr. PARSONS. I do not remember, Mr. Malby.

Mr. MALBY. You spoke about there being an offer to purchase the property by Mr. Searles, exclusive of certain real estate. I did not quite understand whether you meant by that that the real estate was finally purchased or not.

Mr. PARSONS. I think that was put to me as a question, and I disavowed knowledge of the subject. I have no knowledge on the subject.

Mr. MALBY. What I had in mind was that if the city had proceeded to condemn, the only thing the company would seek to buy would be the property of the business exclusive of the real estate; but you do not know about that?

Mr. PARSONS. No.

Mr. MALBY. You spoke about the American Sugar Refining Co. going to New Jersey, owing to the fact that New York did not have at the time that character of corporate laws which would authorize their organization in this State?

Mr. PARSONS. I do not think I meant to say quite that. I meant to say that the laws in New Jersey were in some respects—I do not remember exactly what—more favorable.

Mr. MALBY. I take it you are correct about that. I do not think there is any question about that.

Mr. PARSONS. I think that there was this question of the holding company, which the New Jersey law permitted and perhaps the New York law did not.

Mr. MALBY. There were various differences; but I wanted to ask you, because the committee may have an erroneous impression,

whether you can to-day organize such a corporation as the American Sugar Refining Co. was at that time in New York State?

Mr. PARSONS. I am an ex-lawyer and I can not tell you. As bearing upon that last question, I remember this happened—I think this is practical and might be considered by you in dealing with these questions: Somebody came to me—it may have been Gen. Pryor; at least, it was somebody connected with that North River litigation—and there was talk as to what the company would do. I said, "You have driven us out of New York; we are going to New Jersey." "Don't do it; don't do that; keep in New York."

Mr. MALBY. What I want to call your attention to—and this is my recollection about it, although I may be mistaken—is that the laws of the State of New York are not more liberal than they were at that time, but are less so at the present time.

Mr. PARSONS. Perhaps so. I do not know. What do you mean by "liberal"?

Mr. MALBY. I mean the reasons which actuated the company moving to New Jersey, if they had reasons at that time, would be more so at the present time.

Mr. PARSONS. I think there is a good deal of legislation going on in New York to-day the effect of which is to drive capital away from New York and from the State.

Mr. MALBY. There are no particular amendments to the corporation laws of the State going on, and none have gone on for several years.

Mr. PARSONS. No; but they are trying to hit dead people.

Mr. MALBY. My recollection about the matter is, although I may be mistaken as to the date, that our corporation laws have not been materially amended during the past 12 or 15 years.

Mr. PARSON. No; I think that is so; but you must remember this is an occurrence of 1891, 20 years ago.

Mr. MALBY. I say the laws are more stringent now than they were then.

Mr. PARSONS. I say neither yes nor no; I do not know.

Mr. MALBY. And for a reason which appealed to me as a legislator at the time. A good deal has been said about determining the value of a business, and I will not go into that very far, further than to call your attention to the fact, if you understand it as I do, that the courts of the State have, I think, quite uniformly held, in determining the value of real property for assessment in this State, that there were two guides to go by, one of which is the physical valuation of the property, to wit, the bricks and mortar, as we put it, and the other is earning capacity.

Mr. PARSONS. You mean the question of taxation?

Mr. MALBY. On the question of taxation; yes.

Mr. PARSONS. I had not supposed they taxed except on the value of the property.

Mr. MALBY. Do you not know that the courts have quite uniformly received evidence as to the earning capacity of a corporation as bearing upon its value.

Mr. PARSONS. As bearing upon the value of the property?

Mr. MALBY. In order to determine its taxable value.

Mr. PARSONS. Yes.

Mr. MALBY. So that so far as the State of New York is concerned, it does ascertain for the most part, and I think almost exclusively for taxing purposes, the value of property to be what it cost or what it would sell for upon the market, and also are privileged, under the decisions of the courts, to inquire what is its earning capacity.

Mr. PARSONS. I think that is so. I do not know that my attention was ever called to it.

Mr. MALBY. I simply call your attention to that in order to exclude somewhat, perhaps, your suggestions, which in part I agree with, that it is proper to capitalize, briefly, brains, which means a good deal.

Mr. PARSONS. Please do not think I said anything about capitalizing brains.

Mr. MALBY. I call tact, push, energy, ability—all are brains.

Mr. PARSONS. Yes; if represented in the bricks and mortar; or, in other words, you get right back to what the bricks and mortar will produce, and what can be produced without the bricks and mortar.

Mr. MALBY. It depends entirely, in my judgment, upon who controls the bricks and mortar, but we will not discuss that question further, because I think we understand each other.

Of course, if there were not some recognition of the value of the bricks and mortar, our Tariff Board, for instance, would have an extremely difficult thing to determine, as they are requested to do—that is, to determine the difference between the cost of producing an article here and the cost abroad; is not that correct?

Mr. PARSONS. I am willing to acquiesce if you say so. I do not know. I think you have given that considerable thought.

Mr. MALBY. That is a matter which is before the country.

Mr. PARSONS. I hope you will deal with it wisely.

Mr. MALBY. We have such a board, and that is a part of their duties, and I was wondering how far they could go beyond the proposition of the bricks and mortar in determining the cost of an article.

You made reference also to the fact that prior to the organization of the American Sugar Refining Co., 18 companies had gone into bankruptcy. I think also testimony was given as bearing somewhat upon the value at which they should have been taken in by the company; that Mr. Oxnard, for instance, for one, and Mr. Atkins, for another—concededly as good business men as were then properly engaged in refining sugar—I think their testimony shows that for several years prior thereto their dividends had been substantially nothing; that none had been declared. Under those conditions there was little to sell to the American Sugar Refining Co. except what their factories and refineries would be physically worth. Is not that correct?

Mr. PARSONS. I do not know how I can answer that question.

Mr. MALBY. If there was no income at all—that is, no profitable income—what was there to sell except the physical property?

Mr. PARSONS. There may have been a possibility of income. Some persons could take a plant and make money.

Mr. MALBY. That is true; that is true as to the purchaser. He might have thought that there were possibilities. But as to the seller who had the property to sell, in his hands it certainly did not have that look.

Mr. PARSONS. I can not see why not. The seller reasons, "Here is something out of which you can make a lot of money," and graduates the price accordingly.

Mr. MALBY. I want to read Mr. Oxnard's testimony, which appears at page 372 of the printed record in this case:

The CHAIRMAN. So two of the Oxnards stayed with them (the American Sugar Refining Co.), but you did not?

Mr. OXNARD. I went to Europe. We had a very small factory, and there was very keen competition at that time, and we really welcomed the formation of the Sugar Trust, because we felt it was only a question of a short time when we would have to go to the wall. We were small and were poorly located. We were not on the seacoast.

The CHAIRMAN. Under those circumstances, you would have been glad to have gotten the money you had in the business out of it even if you had not received any more, would you not?

Mr. OXNARD. Well, I do not know. I do not believe we would. I hardly think so.

Considering his confession that they really welcomed the formation of the Sugar Trust, because they felt it was only a question of a short time before they would go to the wall, would that, under those circumstances, authorize them to receive, or the corporation to pay very much more than the physical value of the property?

Mr. PARSONS. Did Mr. Oxnard communicate that to the company?

Mr. MALBY. I do not know.

Mr. PARSONS. There is the whole situation.

Mr. MALBY. I do not quite agree with that.

Mr. PARSONS. You ask me, and I tell you that is the whole situation. If Mr. Oxnard had stated, "We are at the point of giving up," he would have got paid accordingly; but if he permitted the company to think they were going on, then the price would have been to correspond as far back as the Scriptures. The buyer says, "It is not, it is not," but the seller does not say so.

Mr. MALBY. I am speaking as to what the real value of the concern was. A concern in that condition, which was not making money, where the contest had been so severe that he welcomed the change—was there, as a matter of fact, any very great value to his property beyond the physical value of it for whatever purposes it might be used?

Mr. PARSONS. I was merely calling your attention to the fact Mr. Oxnard did not go and tell the company that you say he testified to here.

Mr. MALBY. I do not think what a man tells me he thinks is the value of his property is controlling as to what I think.

Mr. PARSONS. I have always had the idea, if this is what you want me to say, that by some means or other Oxnard made a very good turn. How he made it or brought it about, I do not know.

Mr. MALBY. No more than the rest of them did.

Mr. PARSONS. Oh, yes; according to your own proposition.

Mr. MALBY. Take Mr. Atkins.

Mr. PARSONS. I have the same opinion about Mr. Atkins.

Mr. MALBY. Then you agree with me. Mr. Atkins testified, I think, that for the past 10 years his corporation had not paid one single dividend.

Mr. PARSONS. I know him well enough to know he did not go on the housetops and proclaim it to the world.

Mr. MALBY. Whether he did or not, the real value of his property did not really depend upon whether he told the American Sugar Refining Co. that fact or not.

Mr. PARSONS. I think what the American Sugar Refining Co. saw was Atkins's property and the possibility of a lot of money to be made out of it, and I do not think Atkins told the company that for 10 years he had not made any money.

Mr. MALBY. Do you think it possibly was suggested to them that they were getting rid of a competitor, and that was worth something?

Mr. PARSONS. If what you want me to say is whether it was in the minds of these people that by uniting these interests competition between themselves was likely to be eliminated, I say so at once. They were not going to compete with each other unless they could make money by keeping in some outside organization, and I say that with confidence, because, according to my opinion, the Court of Appeals of New York and the Supreme Court of the United States in the Knight case both approved that.

Mr. MALBY. Always have in mind that personally I do not want you to say anything except the proper answer to questions propounded.

Mr. PARSONS. If I have answered that improperly, I take it back.

Mr. MALBY. I am glad to see you agree with me, however.

Mr. PARSONS. I agree with you—at least, I think I shall if you will turn the situation about and let me examine you instead of you examining me. I have had some experience in this business. [Laughter.]

Mr. MALBY. I have not had any.

Let us take Mr. Harrison, of Philadelphia——

Mr. PARSONS (interposing). A very nice man to take.

Mr. MALBY. A very nice gentleman; indeed, a very successful business man. When the company came to buy him out, I think they paid him $10,000,000, did they not?

Mr. PARSONS. Yes.

Mr. MALBY. I think he testified that the value of his property was about $2,500,000.

Mr. PARSONS. Oh, no.

Mr. MALBY. From $2,500,000 to $5,000,000.

Mr. CRAWFORD. $3,500,000 to $5,000,000.

Mr. PARSONS. That is what he said. He said his property—I am speaking now about the maximum statement he made—might be only $5,000,000, and he got what he called $8,000,000.

Mr. MALBY. He got $10,000,000.

Mr. PARSONS. And he said at that time it represented about $8,000,000.

Mr. MALBY. I think the stock was selling at about 80, or something of that kind.

Mr. PARSONS. I have not the slightest objection to talking about the Harrison transaction, because that was the transaction which provoked the Knight case, and we have been discussing on our side of the table to-day whether the Government really is going to try to get out of the Knight case or is going to stand by the Knight case. It has got to stand by it.

Mr. MALBY. I think the courts just now are not standing by the Knight case.

Mr. PARSONS. They have to stand by the Knight case, so far as concerns these gentlemen. I am one that acted upon the faith of it.

Mr. MALBY. I think the courts might have some difficulty in not standing by it, so far as this company is concerned, but I think as a proposition of law——

Mr. PARSONS (interposing). Oh, as an outside transaction; yes. But may I say that when, in any future transaction, this company acted upon the authority of the Knight case, does the Government of the United States say they were not justified? Is there no consideration of good faith applicable to the Government—no consideration of res adjudicata applicable to the Government? Can the Government play fast and loose? I do not think any of you gentlemen will say so.

Mr. MALBY. I must say we are not here to argue with the witness. I am hardly privileged to reply, except to say that I think the Government ought to deal fairly with all its citizens in respect to all things.

I do not want to go into the legal questions very much, but I think you did suggest that Congress ought to say specifically whether they agree with the present decision of the Supreme Court of the United States in the Tobacco case and the Standard Oil case, or whether they agree with the decision of Judge Harlan. I wanted to ask, in your judgment—because I do regard this as somewhat important for the consideration of the committee—what would be the effect if Congress should pass a law conforming to Judge Harlan's decision?

Mr. PARSONS. It would create the greatest disaster the country has known. Let me tell you the interest that would be affected there. No two persons could become associated as in a partnership. Every operator who is employed, supporting his family upon his wages; every producer who finds that he can join with others and produce more than if he were to go it alone—everybody who is concerned in having business done on a large scale would have to do business on a petty scale. This is not anything new. All the political economists who deal with the subject say so. I have great regard for Judge Harlan. He is a brave man to stand out for his ideas. When you come to the question of economical interests, he is a lawyer and a good one, too.

Mr. MALBY. We are not criticizing Judge Harlan, because he simply announced what he understood to be the law.

Mr. PARSONS. I know; but you are asking me a question.

Mr. MALBY. I am asking what would be the effect, because the court has said that Judge Harlan did not correctly pronounce the law. But suppose we should undertake to follow his decision and make it specific, what have you to say?

Mr. PARSONS. I will tell you what would be one effect. If the Government would proceed upon that theory and yield to the clamor about the penitentiary, the jails of the country would not be large enough to hold the criminals. Let me enter here my most earnest protest against the idea that in respect of a law, about which I have the opinion of Mr. Hardwick, because a lawyer or a layman can do what the Supreme Court could not do—whether anybody has to suffer, and whether, when you come to deal with persons who rely

upon the law, you go upon what one judge says as against what the court decides. If you want to go beyond that, what I think of any limitation at all on the principle of reason—that is a very open question.

Mr. MALBY. I think we have gone over that pretty well, and I will not go further into that than you have.

Mr. PARSONS. I will give up the whole thing, you see. I would allow men to deal, and would not manacle their hands when they want to conduct their business.

Mr. MALBY. Of course, prior to these decisions you had the decision of the courts in the trans-Missouri case.

Mr. PARSONS. Prior to the Knight case?

The CHAIRMAN. The Knight case came first?

Mr. PARSONS. Yes; the Knight case came first.

Mr. MALBY. Then you had trans-Missouri case after that?

Mr. PARSONS. Long afterwards. The two situations had no relation to each other.

Mr. MALBY. You think the courts did not cross each other in those two cases?

Mr. PARSONS. Oh, no. The trans-Missouri case was a question of transportation interstate.

Mr. MALBY. That is true, too.

Mr. PARSONS. The Knight case held the way business was being done was not interstate.

Mr. MALBY. It held you were a manufacturing corporation.

Mr. PARSONS. Yes; that is it. What I say is, "Federal Government, hands off," because I am a State-rights man. I thought our Constitution was based upon that idea, and I thoroughly object to the modern idea of having the Federal Government solve all the problems of the country.

Mr. SULZER. In that connection, if you will pardon me, Mr. Malby, would you be in favor of or opposed to a national incorporation law?

Mr. PARSONS. If it is voluntary, that persons may or may not; yes. If the Government can extend any benefit by such a law which will induce the persons to avail of its privileges, yes. But, Mr. Sulzer, if what it means is this—an army of inspectors and employees holding Federal positions, going to this person and that to interfere with this business or that—if you want to destroy the business of the country, yes; otherwise, no.

Mr. MALBY. I do not want to prolong the discussion very much, Mr. Parsons, on that matter except to suggest to your mind that there is a growing feeling in the country at large that there should be some control by the Government over business institutions which are not strictly doing an interstate-commerce business, where they are apt to develop a monopoly or to restrain trade. For instance, when the American Sugar Refining Co. was organized, if it had been necessary for that company to make application to some Governmental board to issue bonds and stocks, and for that board to pass upon the propriety of the requirements of the various refineries, the chances are that these various companies would not all at least have been acquired. Do you see any danger to the business world in having such a vested authority somewhere in the National Government to pass upon the question as to whether one company, which is evidently in the commercial world doing a competing

business, shall be absorbed by another? Do you see any danger to the commercial business interests of the country if that were the law?

Mr. PARSONS. The question has presented itself to my mind whether in such a situation persons would embark their capital and whether the business would be done. You ask the question with reference to the American Sugar Refining Co. and intimate that under such a system of law there would have been no American Sugar Refining Co. Then, according to the testimony in this case, there was no sugar. Where did you get your sugar to sweeten your coffee? There is where you get back to.

Mr. MALBY. I am not quite sure that we get back there.

Mr. PARSONS. I think you would.

Mr. MALBY. But I want to remind you of the fact that prior to the organization of the American Sugar Refining Co. all these companies existed, and there was plenty of sugar to sweeten the coffee, and in fact one of the reasons urged for the consolidation by the American Sugar Refining Co., in particular their policy of elimination of production, was that there was an overproduction; so that your suggestion that men would not go into it would not apply, because forsooth there were all in it.

Mr. PARSONS. Do you ask me that?

Mr. MALBY. Yes.

Mr. PARSONS. I am not going to speculate. I will tell you the situation. Twenty years before the organization of the American Sugar Refining Co. 18 refineries failed; Oxnard, according to your question, on the point of failure; Atkins, according to your question, on the point of failure. How many of these other small establishments were on the point of failure? The outcome would be a proposition with which these gentlemen were confronted when they formed the American Sugar Refining Co.—whether they would in that condition struggle along and those that were strong enough to live gobble up what was left, or whether those who were weak should be sustained and helped by those who were strong.

Mr. MALBY. I agree with you to a certain extent that this condition of the survival of the fittest is not good in commercial matters and is not good for the people.

Mr. PARSONS. That is what I am trying to urge.

Mr. MALBY. But what I am calling your attention to is this—as to whether or not it would not have been wise and a prudent thing for the Government to have had some power to say to the American Sugar Refining Co., "Yes, you can acquire all the companies in New York and New Jersey if you please, but here is a refinery in Boston, another in the city of Philadelphia, if you please, and another one in Baltimore, and another one in New Orleans, which at present we do not think should be consolidated." Do you not think it would have been a wholesome thing had there been some governmental authority to have rendered that decision?

Mr. PARSONS. If I understand the purpose in that question, I think I must answer no. But it embraces a very large range of consideration, and an answer yes or no is very unsatisfactory.

Mr. MALBY. I appreciate the fact it is unsatisfactory. If I gather correctly, your idea about it is, that a company should be permitted in its own way to do as much business as it pleases, subject only to the laws of the country. If they do not violate any law which we

may see fit to pass or have passed, then they should be permitted to do business in such ways as seem to them meet and proper.

Mr. PARSONS. I think, Mr. Malby, that is the Great Mogul Steamship Co. case. It represents the wisdom of England upon the subject, and I think that is the principal question, and it goes right back to the proposition that the natural laws of trade are to be permitted to work themselves out within, as you say, adherence to the laws of the country, and then you will have, if there is undue profit, or if there is a condition which calls for it, a Spreckels fight or an Arbuckle fight, and then the thing applies to the community which it affects. These things take care of themselves. Every time the Government interferes, it is like a usury law: The poor devil who wants to borrow the money has to pay for the risk that is run by the lender that he will get the money, and then plead usury to avoid being held responsible for it. This may be interesting to you: When I was a young lawyer, a man by the name of Capt. John Graham, who had not very much credit, and wanted to borrow money largely, applied to the Legislature of the State of New York for a law which would prohibit him from pleading usury, to facilitate his borrowing money. As you know, the corporations are permitted to borrow money and enter into any business they like. These laws which interfere with the natural laws of trade always operate the other way.

Mr. MALBY. Of course, up to the time that these vast corporations in this country began to absorb their competitors, to my mind there was very much more force in those natural laws of trade to which you refer, and it is only with reference to restraining them within proper limits, that the question arises, and what those limits shall be and in whose hands the limiting power shall be and where it shall be. That is a question I put to you as to whether or not you do not think now, the way business is being managed in this country, there should be vested somewhere and some place, in State or Nation, an authority, to which, if they propose to extend their trade and commerce and business, they should be obliged to go and receive its approval as to the propriety of issuing stocks and bonds for the general public to invest in, or not.

Mr. PARSONS. I can not answer yes or no to such a broad proposition as that.

Mr. MALBY. After all, that is one of the questions which we will have to decide.

Mr. PARSONS. Upon that subject, I have views. I think you had better consider—I do not want to give away exactly—but you had better consider whether some testimony has not been produced before you here in this investigation to the point that just in proportion to the size of the corporation is it vulnerable—not strong, but weak. That is illustrated throughout this evidence.

Mr. MALBY. Just as to why it is strong and why it is weak, of course depends upon a variety of considerations. It has done this: Right or wrong, as you stated this morning, it has invited attack from every legal source known to the resourceful prosecuting lawyers and attorneys throughout the State and the Nation, and I am trying to find some ground which will avoid this constant nagging of men and of capital after they have gone to work. I am looking for some ground upon which a man will know where he stands with the State and with the country after he enters into business.

Mr. PARSONS. I think I am with you in that statement; but don't do anything that prevents them going to work.

Mr. MALBY. I am trying not to, but I am trying to inquire from the practical men—and you, with your vast years of experience, I think, are a man of affairs and of business, and I had hoped you might give us the benefit of your opinion. I am trying to inquire as to whether or not there is not some way by which we can fix by law a situation with which the general public would be fairly satisfied, and it would be fair toward the men and fair toward capital, and would promote business instead of retarding it or subjecting it to endless difficulties and litigation.

Mr. PARSONS. I think I could formulate some ideas upon that subject if I had time, consistent with the general opinion which I entertain of free agency on the part of the American people, whether they are rich or whether they are poor.

Mr. MALBY. Of course, we have at the present time in the State of New York two public-utilities commissions.

Mr. PARSONS. Yes.

Mr. MALBY. I am not sufficiently advised as to how the public interests or the individuals or the capitalists are getting to know it. Perhaps time enough has not elasped to determine about that matter.

Mr. PARSONS. This is what happens——

Mr. MALBY. Time, of course, will tell how it would work out.

Mr. PARSONS. Let me tell you how it does work out by a concrete case. You know Mr. Whitridge, do you not, the receiver of the Third Avenue Railroad? He did something, or did not do something, and he found that the public-service commission had mulcted his company to the amount of $900,000. He snapped his fingers in the face of Mr. Willcox, and I did not think anybody would say that was a wholesome situation. In the end Whitridge—and I admire his pluck—came out ahead. That sort of legislation you do not want. The country does not want that. We want something which deals with practical questions and with deference to every situation involved.

Mr. MALBY. We want it so it will work out satisfactorily, if it will work out that way, and we do not want it unless it does. I have discovered in my experience in our State affairs in particular that laws are a matter of fit and try, and try and fit, and so on.

Mr. PARSONS. May I say this further as applicable to any such situation—a Federal situation? The only thing which is paralyzing the business of the country is the uncertainty of what has been done, when you come to interpret it, and of what may be done in the future, and all around where we are are persons, and they are voters, please remember, who are saying, "We are ruined, because business does not go under the existing conditions," and they are trying to find out who are the fellows to hold responsible for it.

Mr. MALBY. It seems to me to be a very plain proposition that we can not sit around as citizens and as lawmakers and complain of conditions and at the same time say there is no remedy. The business man says, "We do not want to be nagged; we do not want to be indicted; we do not want to be prosecuted." Unless he furnishes us with some solution of that question——

Mr. PARSONS (interposing). Then draw a law so when we read it we can tell whether if we do this we are in or out of jail.

Mr. MALBY. That is, perhaps, not the easiest thing in the world, but beyond all that is the effect of such a law which you have pointed out in the case of passing a law in conformity with the interpretation given to the Sherman antitrust law by Judge Harlan.

Mr. PARSONS. Do you mean the opinion of Judge Harlan?

Mr. MALBY. Yes. I do not think we are, perhaps, profitably discussing this matter. However, I have one other question along another line.

Your attention has been called by Mr. Garrett to the contract entered into between the beet-sugar companies and the American Sugar Refining Co. with reference to the disposition of their output. Was not the real object and purpose of that agreement between the beet-sugar company and the American Sugar Refining Co., so far as the American Sugar Refining Co. was concerned, to control the output of the beet-sugar industry by selling it through their own agents?

Mr. PARSONS. I have not had that idea. My idea has been that it was to give the beet-sugar people the benefit of selling through their agencies.

Mr. MALBY. I heard you say that; but wherever a trade is entered into, I have discovered that there are two parties to the contract. You have described, I think, accurately the benefits to be derived by the beet-sugar industry, but I did not hear you describe the benefits to result to the American Sugar Refining Co.

Mr. PARSONS. It got a commission on all the sales of the beet companies. That is what I hope the beet company will be invited to pay—and it would, if I had to do with the matter.

Mr. MALBY. But the benefit which the American Sugar Refining Co. got was that their product passed through their agents' hands and was subject to sale by agents of the American Sugar Refining Co. That was the benefit which they derived?

Mr. PARSONS. I do not think there was any benefit to them. The point has been made that every broker may have a hundred principals, all trying to do the same thing through the same broker.

Mr. MALBY. If I was engaged in business and had 100 men on the road, and you took all those men off the road and substituted your own men, I would take it that you, in the sale of my product, would obtain an advantage.

Mr. PARSONS. Even if the contract provided as it did? I do not see that you would be hurt very much by that.

Mr. MALBY. If I sell your goods——

Mr. PARSONS (interposing). You are assuming the hundred men are cheating somebody. I do not assume that.

Mr. MALBY. No; but if I have my agent to sell your goods, I think I have a cinch on your business.

Mr. PARSONS. Probably you have had more experience than I have. In other words, I assume honesty is the rule and dishonesty is the exception.

Mr. MALBY. I do not say there was any dishonesty about it.

Mr. PARSONS. Not if the agents employed to represent one industry were at work for the other against that interest.

Mr. MALBY. I can see, however, that the American Sugar Refining Co. had an output all its own and not in competition throughout the whole United States with anybody, except in the eastern portion of the United States, and if they could control the output of the beet-

sugar factories there would be a decided advantage to the American Sugar Refining Co. in so doing.

Mr. PARSONS. I hope there will be a suit and that the question will be determined by a court and on the lines of the Supreme Court decision.

Mr. MALBY. I may say to you I do not know any reason why there should not be a benefit to the American Sugar Refining Co. Men seldom do business for nothing.

Mr. PARSONS. When this question was raised, the newspapers say—and I have the greatest regard for the newspapers—that Mr. MacVeagh advised his clients not to do it. No lawyer would advise his clients to hold up until the laws had been made. I think it is an element of the situation which reacts and hurts itself that a lawyer has to determine these questions which the courts are so puzzled with, in the dilemma that if he makes a mistake he gets his client locked up or has the possibility of getting himself locked up.

Mr. MALBY. Of course, we get around to another phase of the law, and what I have in my mind is this: There were the Michigan Beet Sugar Co., the Colorado Co., the Idaho Co., the Utah Co., and the California Co., all doing substantially a separate business through their own agencies, selling the products of their own factories, and by that agreement it would occur to me that the result of it would be the practical elimination of any contest between any of them and the American Sugar Refining Co. as to prices.

Mr. PARSONS. Are you not mistaken in assuming that all those companies that you have mentioned were in existence at that time? I think they all came afterwards. I think the company that was then in existence was the American Beet Co., and that the question was of the American Sugar Refining Co. acquiring the interest later in the beet company.

Mr. MALBY. The fact about the business was that, while it applied perhaps not to them all, it is also true that as fast as the beet-sugar companies came into existence most of them have confessed that they owed their birth to the American Sugar Refining Co.

Mr. PARSONS. The view I had of the proper course to be adopted by the American Sugar Refining Co. was to go ahead and raise beets and go ahead and do the beet business in its own name and in the name of the companies it organized. That was the American company—not the competitors. You do not create subsidiary companies for the purpose of competing with yourself. It is for the purpose of doing your business. It is a mere agency.

Mr. MALBY. I understand that.

Mr. PARSONS. That is the situation.

Mr. MALBY. I think that is all, Mr. Chairman.

The CHAIRMAN. Gentlemen, it is 4.30, and the examination will be suspended and we will take an adjournment until 10 o'clock to-morrow morning, at which time we will resume your examination, Mr. Parsons.

Mr. GARRETT. I want to make this announcement, if I may: The subcommittee that was appointed to take the testimony of Mr. John Arbuckle will take that testimony at New Paltz at 2 o'clock on next Monday afternoon.

(Thereupon, at 4.30 o'clock p. m., the committee adjourned until to-morrow, Friday, July 21, 1911, at 10 o'clock a. m.)

No. 26

HEARINGS

HELD BEFORE THE

SPECIAL COMMITTEE ON THE INVESTIGATION OF THE AMERICAN SUGAR REFINING CO. AND OTHERS

FRIDAY, JULY 21, 1911

HOUSE OF REPRESENTATIVES

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

SPECIAL COMMITTEE ON THE INVESTIGATION OF THE AMERICAN SUGAR REFINING CO.

HOUSE OF REPRESENTATIVES.

THOMAS W. HARDWICK, *Chairman.*

FINIS J GARRETT.	GEORGE R. MALBY.
WILLIAM SULZER.	J. W. FORDNEY.
JOHN E. RAKER.	E. H. MADISON.
H. M. JACOWAY, JR.	A. C. HINDS.

AMERICAN SUGAR REFINING CO.

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE AMERICAN SUGAR REFINING CO. AND OTHERS,
HOUSE OF REPRESENTATIVES,
New York, July 21, 1911.

The committee this day met, Hon. Thomas W. Hardwick (chairman) presiding.

The CHAIRMAN. Mr. Parsons, before you resume your evidence, there is a formal matter about which we want to ask Mr. Heike. It will probably take about five minutes, after which we will hear you further.

Mr. Heike, please take the stand now.

TESTIMONY OF MR. CHARLES HEIKE.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. You have been sworn before during this investigation?

Mr. HEIKE. Yes, sir; I have been.

The CHAIRMAN. At what time did you become secretary of the American Sugar Refining Co.?

Mr. HEIKE. In January, 1899.

The CHAIRMAN. And you remained secretary until you were succeeded by Mr. Joseph E. Freeman?

Mr. HEIKE. Yes.

The CHAIRMAN. And during that time were you in charge of the records, minutes, resolutions, and other documents of that character of the company?

Mr. HEIKE. I was.

The CHAIRMAN. Well, let me invite your attention to a certain extract from the minutes, so as to see what you have to say about it. I notice this extract from the minutes of the American Sugar Refining Co. on September 6, 1892. Of course, that was before you were secretary?

Mr. HEIKE. Yes.

The CHAIRMAN. And John E. Searles was secretary of the company at that time, was he?

Mr. HEIKE. Yes.

The CHAIRMAN. He is now dead?

Mr. HEIKE. He died; yes.

The CHAIRMAN. When you succeeded him as secretary, he is at least supposed to have turned over to you the records, minutes, and resolutions, and such things as that, of the company?

Mr. HEIKE. Yes, sir.

The CHAIRMAN. In 1892 what connection did you have with the company? Were you assistant secretary, or anything like that?

Mr. HEIKE. My chief business was the transfer of stock.

The CHAIRMAN. In that capacity would you have had to do with the resolutions passed by the board of directors?

Mr. HEIKE. No.

The CHAIRMAN. Let me invite your attention to this statement from the records of the date I have just given you, September 6, 1892:

The president having referred to the necessity of protecting the company and its interests from injurious litigation and other hurtful actions, and to appeals by each of the political parties for campaign expenses, it was resolved.

Now, this is in brackets:

[Vide resolution as authenticated by the secretary.]

Translating the Latin, it means: See the resolution as authenticated by the secretary. Did you ever see that resolution?

Mr. HEIKE. No.

The CHAIRMAN. When Mr. Searles turned over to you the records and minutes of the company—that is, so far as they related to its board of directors, its executive board, and so forth—was this paper among them?

Mr. HEIKE. I do not remember it at all; no. He did not turn over things in a formal manner.

The CHAIRMAN. When you took over these records was that resolution among them?

Mr. HEIKE. No; I never saw that record. I did not read the books back seven years.

The CHAIRMAN. I mean the resolution—this paper containing the resolution.

Mr. HEIKE. No, sir; I never saw it at all.

The CHAIRMAN. You are satisfied that during the time of your custody of the records there was no such paper among them?

Mr. HEIKE. No; I am quite sure of that.

The CHAIRMAN. And you do not know what became of the resolution?

Mr. HEIKE. No.

The CHAIRMAN. When did Searles die?

Mr. HEIKE. Three or four years ago. He left the company in 1898.

The CHAIRMAN. He died since 1898?

Mr. HEIKE. Yes.

The CHAIRMAN. He died before you were made secretary?

Mr. HEIKE. No; long after.

The CHAIRMAN. Long after you were made secretary?

Mr. HEIKE. Yes.

The CHAIRMAN. You know nothing whatever of this authenticated resolution referred to?

Mr. HEIKE. No, sir.

The CHAIRMAN. And this is the first time that you have ever heard of it?

Mr. HEIKE. Precisely.

The CHAIRMAN. When I read it to you that was the first time you heard of it?

Mr. HEIKE. Yes, sir. I never looked back and read the book over.

The CHAIRMAN. A resolution of that character would have been in your possession, if among the records of the company, would it not?

Mr. HEIKE. Possibly. But I did not see it.

The CHAIRMAN. You did not see it?

Mr. HEIKE. No, sir.

The CHAIRMAN. And did you turn over to Mr. Freeman, when he succeeded you as secretary of the company, all records of that character?

Mr. HEIKE. There was no such resolution among the papers that I turned over.

The CHAIRMAN. You did not take that resolution out yourself?

Mr. HEIKE. No; I never saw it.

The CHAIRMAN. You did not take it out of the records of the company yourself?

Mr. HEIKE. No.

The CHAIRMAN. And you know nothing yourself about it?

Mr. HEIKE. No; I know nothing about it at all; that is correct.

Mr. RAKER. There was some information that we asked you about, Mr. Heike, and which you were to furnish us, I think. Have you those memorandums ready?

Mr. HEIKE. I do not remember, sir, that you asked me to furnish anything.

The CHAIRMAN. What was it?

Mr. RAKER. We asked all of those men to furnish some statements.

The CHAIRMAN. I do not think he was one of the men. You do not remember any request being made of you to supply something additional for the record, do you?

Mr. HEIKE. No.

The CHAIRMAN. You are pretty sure about that?

Mr. HEIKE. Yes.

The CHAIRMAN. There was no request made of you to prepare something for the record and supply it later?

Mr. HEIKE. No.

TESTIMONY OF MR. JOHN E. PARSONS—Continued.

The CHAIRMAN. I believe Judge Malby had finished his examination yesterday?

Mr. MALBY. Yes.

The CHAIRMAN. Mr. Hinds says he has one or two questions which he would like to submit to Mr. Parsons, and he may now proceed.

Mr. HINDS. Mr. Parsons, was that trust deed which you drew in 1887—I believe that was the date of it——

Mr. PARSONS. That is the date of the trust deed; but the trust deed was the outcome of what was going on for years before that time.

Mr. HINDS. In other words, that was not the first deed of that kind drawn?

Mr. PARSONS. It was the first consummated deed of that kind. Anything preceding that was in the nature of a draft; but it put in writing what had been the subject of consideration all around, and I can not remember for exactly how long.

Mr. HINDS. Had any other trust been formed in this country at that time?

Mr. PARSONS. I stated, Mr. Hinds, that I thought there was something of that kind in the case of the Standard Oil Co., and I also stated that I thought there was something of that kind in respect of some cotton organization.

Mr. HINDS. You had those before you when you——

Mr. PARSONS (interposing). No; I did not have those before me, but I knew, in a general way, that that idea was in the minds of the people as it was in mine.

Mr. HINDS. But probably that is the first definite carrying out of that idea in a definite legal form? That trust deed was the first, was it not?

Mr. PARSONS. Unless what had been done by the Standard Oil Co. preceded, and about that I am not very clear.

Mr. CRAWFORD. I can give you the date if you want it.

Mr. HINDS. What I wished to find out was whether Mr. Parsons was the one who rubbed the lamp and produced the first of the race of Genii.

Mr. PARSONS. I would like to stand for the credit of having inaugurated and initiated that idea and principle, but I am afraid I should have to share the credit with some others.

Mr. HINDS. But you were an early pioneer?

Mr. PARSONS. Yes.

Mr. HINDS. That, perhaps, is all I wanted to get at. Why I have asked you these few questions was to see if, perhaps, on reflection and thought you would not be willing to amplify for the committee the point of how far the sovereignty of the Government may intervene in the establishment of these great and almost monopolistic corporations.

Mr. PARSONS. I recognize, Mr. Hinds, that any organization of labor or of capital creates a situation which is grave, but that it is monopolistic I do not, for one moment think, because——

Mr. HINDS (interposing). Well, I qualified that.

Mr. PARSONS. I do not think a monopoly is possible at this period of the world's history.

Mr. HINDS. Well, from my standpoint the Sugar Trust, or the American Sugar Refining Corporation as it started out, controlling 75 or 80 or perhaps 90 per cent of the output, was too large to be economically profitable on the whole and too large for the proper play of those ancient forces which have governed our markets. Now, if you are willing for a minute to asume that my theory is right, would you be willing to give us out of your experience and as, perhaps, the greatest of all experts on this subject, an idea of what intervention of the sovereign power might take place to prevent future extravagances of organization in these great corporations, and I mean by extravagances what I would say was the abnormal development or aggrandizement of them.

Mr. PARSONS. Mr. Hinds, in my professional career I had my attention drawn to a great many of these organizations capitalized upon what would be called conservative principles, or, if you please, with the introduction of what has here been called water, to a large extent my experience is that in the end invariably those things right themselves. I have been called upon frequently, for example, to defend persons who have been sued because they were participants in what I would regard as an injurious or pernicious organization; that

is to say, where the capitalization bore no relation, no suitable relation, to that which was contributed to the organization, and the outcome of reflection, of experience, and of observation is, I think, that so far as possible the question is of leaving the American citizen, one or ninety millions, to take care of himself. The very moment there is any attempt to interfere, then who is going to suffer? In the end it is the American citizen, because the American citizen is weak, by comparison; they constitute the many as against the few who are more capable and who are more intelligent and who can, in the long run, better take care of themselves than is the case with the general public.

Now, in the consideration which I have given to this subject, and more particularly since the matter assumed public importance and notoriety recently, I have invariably and exclusively, as I think, put myself on the side of the public. I am a member of the public; I want to have my sugar as cheaply as possible; I want every commodity for which I have to pay furnished to me as cheaply as may be, and the problem in my mind is: How are you going to accomplish that purpose? Now, I recognize that I can not be furnished with oil, or sugar, or tobacco, or anything of that kind unless the persons who do it can make money out of it. It goes without saying that capital will not be employed unless it can be profitably employed. Now, I am in favor of organized labor, with the limitation that there shall be no violence. I believe whenever a labor organization resorts to violence they hurt themselves every time, but I think that there is the same right on the part of labor to organize as on the part of capital to organize, but it all comes down to this, that, I think, it is better to let everybody make as much money as is suitable rather than put any limitations upon it, because we are all suffer alike, the greater sufferer being the weaker man.

Mr. HINDS. You spoke of the matter of watered stock righting itself. You mean by that that the properly conceived combination of capital, properly carried on, will soon so increase the assets that there will be real value against even something of water?

Mr. PARSONS. That is so, Mr. Hinds, with this qualification: If you are going to limit capitalization to what is represented in bricks and mortar you are going to have no corporations, and we are to lose the benefit which comes from the aggregation of capital. To invite capital into a large interest, either by a number of stockholders or otherwise, you have got to make some provision for it. However, I do not want to stand in this record as in favor of water; I am not. I should repudiate as strongly as anybody what I understand to be meant by water. That is to say, water which represents nothing. I am just as much opposed to water as I am to wind; neither means anything. But when you come down to that which is substantial, I mean to say capitalization to a certain extent of the future, the gains which may be fairly expected from legitimate business, then I think there has to be a license or liberty which can not be controlled by a mere consideration of what we have all called here "bricks and mortar." You have to go beyond that.

Mr. HINDS. But, passing away from this and taking an illustration which we will assume the popular mind has formed on the investigation of another committee of this House—that is, the Steel Trust—the testimony, so far as given there, seems to indicate that the steel

business was syndicated, and therefrom there arose a swarm of millionaires whose millions came, to a large extent, from the anticipations of about 15 years of future; that is to say, what the steel business would get to be in the future. We will accept that as an illustration, that that thing did happen, that those great magnates, who emanated from the Steel Trust when it was formed, made many millions by anticipating the business growth of that corporation for 15 years ahead. Now, if that premise is true, you would not think that the sovereignty ought to permit that on the part of the great corporation that dominates that great industry?

Mr. PARSONS. May I answer it in this way? Entertaining the views which I have entertained, they were without change until, being in Europe on one occasion, I learned that the United States Steel Co. had been capitalized on the basis, I think, of a thousand millions—was not that it?

Mr. HINDS. Well, it is beyond my imagination.

Mr. PARSONS. And then I began to wonder whether my theory did not need to have some stop-cock put upon it, and the problem is how you gentlemen can do that; and although I deprecate any such outcome as that, yet I think the matter ought to be within the restraint of what I regard as reasonable. The difficulty is how to bring about any help in that line from legislation.

Mr. HINDS. That is why we asked you, as possibly the first of and greatest of experts on that subject, for a little light.

Mr. PARSONS. It took, in New York State many years ago, the form that there should be no limit of capitalization so long as it was not fraudulent. Now, if you can draw anything from that I can not, because I think, without any reference to the law, that——

Mr. HINDS (interposing). Well, to draw an illustration, which would be an analogy and possibly misleading. When a man and woman decide to marry, in modern governments it is conceded that there should be the least possible supervision, yet the State does intervene at that moment and say, "We will have a voice as to the terms of this marriage." Now, the State intervenes——

Mr. PARSONS. Does the State intervene?

Mr. HINDS. Does it not?

Mr. PARSONS. As between husband and wife?

Mr. HINDS. When they form the contract, the State has to do with that contract, has it not? I am not a lawyer and may not be using the correct legal terms, but there must be a license, there must be certain facts ascertained and sworn to, I think, before a public official; there must be certain proofs as to residence and age, and all of those things.

Mr. PARSONS. Mr. Hinds, let me tell you that is all a matter in this State of very recent legislation, and during the whole history of this country, down to within a very few years, there was no restriction whatever. I suppose the legislation to which you refer was rather to strike a blow at a system that was growing up most perniciously, of what was called common-law marriage, where a man was subjected to claims on the part of a woman, or vice versa, that there had been a marriage when there was no marriage.

Mr. RAKER. To add to that, is it not a fact that a number of the States have assumed the power and the right under the law of this country to make a physical examination both of the man and of

the woman, and also a mental examination, in order to determine whether they ought to be married, and that is a power which the States are using?

Mr. PARSONS. Judge Raker, I am the president of two hospitals that have some relation to questions of that kind, hospitals carrying on a very important business in this city, and it is no very long period ago since my attention was called to a suggestion that was made that in the interest of the future, and in the interest of our citizens, there should be put some restraint, the outcome of which would be that we should have a healthy community growing up as against a diseased community. But I am not aware that up to now the legislature of any State has dealt with the subject. If it has I think it will be found that there will pretty serious difficulties in the way.

Mr. HINDS. I did not intend to divert this examination, but to come back to my analogy I will say that in the State of Maine when either of the contracting parties is a pauper or has received public help the police power of the sovereignty intervenes and prevents that contract of marriage. That is sufficient for the analogy. I think the police power of the sovereignty intervenes even in a matter which we all recognize the sovereignty should keep its hands off of as much as possible.

Mr. PARSONS. I am very much interested to learn that Maine has taken this action, but I am thinking for a moment how it would work if I were one who had received public help and some woman who had some money was willing to be married to me, and whether the State would then come in, using the police regulations, and say, "That shall not happen." That opens a pretty broad line.

Mr. HINDS. I will qualify my statement. I am speaking, perhaps, from inference. I had in mind a case where the town clerk—and I think they generally do it—refused a license in that sort of a case; I know of a case of that kind being refused, and I think there must be a law back of it. Now, would it be possible for the national sovereignty, recognizing these great corporations to be beyond the sovereignty of the States—that is, peyond a practical exercise of their sovereignty—to intervene in some such way in the formation of these big corporations, to safeguard their formation in behalf of the public as well as of investors and even of the incorporators themselves?

Mr. PARSONS. Mr. Hinds, you asked me substantially that question yesterday and I assented to the idea of a Federal incorporation law, provided it was voluntary in its operation—that is to say, provided those desiring to organize a corporation might or might not put themselves within the authority of the Federal Government. I have thought over that matter since yesterday. I had given it some very crude and general consideration, but it seems to me that the points which you gentlemen have got to consider now—the conclusion to which they lead it is for you to say, as I am not very clear on it in my own mind—are, in brief, perhaps, among others, these: I have in mind the State of Maine. Now, the State of Maine has specialties in the way of business and of manufacture. I have in mind the State of Georgia. I know the State of Georgia is a Southern State which is growing up to be a great manufacturing State, and I regard that it will be the manufactures of that State which will make the

prosperity of that State. In the State of California the manufactures which aid in the prosperity of California are local in their character. Now, the scheme is whether these organizations, in so far as they are local and as their success bears upon local circumstances, are to be brought in any way under the control of the General Government. That leads to this consideration: What does California know about Maine, and what does Maine know about California? The same is true as regards Maine, California, New York, and Washington, in so far as this bears upon the general subject of trade commodities. Now, leaving out of view public-service corporations, as I am not dealing with them, but with organizations that are local in their character, I have come to the conclusion that it is not desirable that there should even be a Federal incorporation act, for the reason that the outcome will be that you will have organizations on the part of persons who accept the Federal incorporation and those who do not. Now, just in so far as that results unsatisfactorily I think the ultimate sufferer—and I think the ultimate sufferer is always that great body of American citizens, that great body of the public of whom I am one, and from whose interest I like to consider this matter. And you are going to consider it, and must consider it, because you are the trustees, not of the trust—and yet, if I may say it, it is a pretty important trust—but for the great American people; and what is desired is that you shall consider how these questions bear—I do not care anything about organized capital—but how they bear on me as a member of the community.

Mr. HINDS. I think there is great force in what you say about local corporations, and that Federal interference would be liable to be very vexatious; but is there not some line of demarcation? For instance, I will make this suggestion: Would it be constitutional if, for instance, the sovereignty should assume an arbitrary standard, make an arbitrary classification of corporations engaged in interstate commerce, putting those above a certain size within a restriction as to the capital stock—that is, recognizing that when a corporation got up to a certain size it had a tendency to be monopolistic—might they make a classification of that sort?

Mr. PARSONS. I am very glad to have you ask that question, because I have been considering that identical subject. And what would it lead to? If a particular organization was to be under Federal control or keep out of Federal control, the line has to be drawn on its capitalization.

Mr. HINDS. Well, I will admit you would have to take a different line than that; you would have to bring in the bonds, and perhaps some of the book accounts, the volume of business, or something of that sort. Of course, the capitalization is the mere outward semblance.

Mr. PARSONS. I merely took that as illustrating one of the elements in respect of which you have got to draw the line. Now, if a person desired Federal control or did not desire to be on one side or the other side of the line, according to the statement of value upon which that question would depend, who would determine that question of value? They would come forward and say, "We represent this amount or represent some other amount," and I do not believe there is any practical line upon which you can discriminate on one side or the other unless you subject the business of the country to the

determination of some public body, commission, or whatever it may be; and I do not think that the American citizen, I do not think that the people, in whose interest we are all here, want their business to be exposed to the scrutiny of investigation or the determination of a public body. I think the American citizen is big enough to take care of himself and wants to manage his own business in his own way.

Mr. HINDS. I will call your attention to the fact that at the present time, if I am correct in my inference from what has happened, there is on file in Washington a fairly complete business statement of every corporation of the United States, is there not, as an incident of the corporation tax?

Mr. PARSONS. I am not aware of it.

Mr. HINDS. I think I am right, am I not? And possibly as a result of the Bureau of Corporations. I think it is on file and supposed to be confidential.

Mr. PARSONS. You mean interestate commerce organizations, or organizations generally?

Mr. HINDS. I mean every corporation.

Mr. SULZER. I will say that the annual reports of the corporations in the United States are filed with the internal-revenue collectors.

Mr. HINDS. Yes. I think all of the corporations of the United States, even little stores in local communities. I think a small store was used as an illustration in a strong editorial in the New York Sun on that subject. So a corporation in the smallest town in Vermont has its balance sheet filed with the Government. Therefore, the Government is ready to make an inspection and to know what corporations would fall within a classification that it might deem of such size that they should come under Government regulations. For instance, I will draw another analogy, that of navigation on the common waters. The Government recognizes that when a large vessel goes abroad it should be under certain regulations, and we have a law, I think, that a steam vessel over 65 feet must carry a licensed pilot and conform to all regulations governing seagoing vessels; under 65 feet they may go almost at will. Now, might there not be some such Federal distinction as to these great cruising corporations, so to speak, that go all over our country in their business affairs?

Mr. PARSONS. Of course when you come to the question of interstate organizations I recognize both the right and propriety of Federal control. We are dealing with subjects that are short of that, because it is in them that the general public is interested. But I wonder whether I am a fair judge, through the fact that my early teaching, confirmed by my subsequent observations and experience, leads me to adhere to the fact, from which I started, of being an old-fashioned Democrat. I believe the Constitution has conferred upon the Federal Government only such express authority as can be spelled out of it. I believe it is against the public interests that it shall be enlarged. I believe, in other words, that the Government is made up of the congregation of States, but that the States are supreme and not the Federal Government, in so far as a matter may be within State regulation. I want to leave it there.

Mr. HINDS. Now, let me ask you to disassociate in your mind all thought of Federal incorporation or of Federal meddling with the business direction of these corporations. It is not that at all I want

to ask you about. I simply wanted to ask you the question whether the Federal sovereignty might not, when one of these great business entities embarks on its career, exercise its sovereignty to see that the fundamental conditions of its organization, which must govern its operation to a large extent, are right and proper for the safety and well-being of the public and the safety and well-being of the investors?

Mr. PARSONS. It would not be my opinion that that came within any constitutional right of the Government, and that if it is the policy of this country that any such course shall be pursued the first course would be to refer to the States the question whether they care to have substituted for what is now within their control this Federal control.

Mr. HINDS. For instance, under the sanction of New Jersey, you equipped and manned the Sugar Trust, but almost immediately you passed beyond all power of New Jersey to control you; you became a sovereignty, almost, in the business world of America. Now, there must be control somewhere; and if New Jersey can not do it, there must be some sovereignty that can, must there not?

Mr. PARSONS. I can not admit your premise to the effect that the company immediately got outside of the control of New Jersey; it never got outside of the control of New Jersey. New Jersey could repeal its charter at any time or hear any complaints that were made against it as a corporation, and deal accordingly; and when we reach, if we are to reach, the question of action that was taken with respect to publicity, I shall be very glad to let you know what can be or, perhaps, should be done, and not done by New Jersey as the home State of the American Sugar Refining Co.

Mr. HINDS. Well, to go to another analogy. I recognize the viciousness of analogies in arguments, and yet, they sometimes express very much. To go to another one: Is New Jersey to be permitted to let her cows graze on the public highways at will without some intervention from the sovereignty which considers the rights of the other 45 States on those highways?

Mr. PARSONS. I think if the cows of New Jersey can get hay from Maine, the New Jersey cows had better get hay from Maine; and that if the milk from New Jersey cows can be sold in the State of New York, they had better sell it here. But the New Jersey cow remains in the State of New Jersey; and New Jersey undoubtedly has a tuberculosis law, as is the case with Massachusetts. I am something of a farmer and know about it there, and it is for Massachusetts, in respect of my cows, to say what shall be done with them, even to the point of cutting their throats if they may prove injurious.

Mr. HINDS. Well, either my analogy is unfortunate or else you pervert it a little.

Mr. PARSONS. You said an analogy misleads, and I think it does.

Mr. HINDS. Yes; I will admit that. But the great central fact must be that there must be a sovereignty in this country that may oversee these vast aggregations of capital.

Mr. PARSON. Well, I see to what that leads, and I am opposed to the result to which that leads. Now, this is a pretty broad subject with which you gentlemen are going to deal. Take the case of the New Orleans Italians. A State itself is a sovereignty superior to the

General Government in certain respects, and yet it can not deal with outsiders. These are difficulties which grew out of the Government as it was established at the beginning.

Mr. HINDS. Well, that was an inadvertence; either an inadvertence or a case where the fathers of the Constitution felt they could not help themselves, because Mr. Randolph protested on that very point, did he not?

Mr. PARSONS. Undoubtedly; and I am with the compromise out of which came the United States of America and without which there would have been no United States of America.

Mr. HINDS. In other words, then, as an expert on the subject of the formation of great corporations, you do not see any way in which the sovereignty may intervene as to the terms of their formation?

Mr. PARSONS. Pardon me, but I must say that I am not an expert in respect to the organization of great corporations. I do not happen to remember at the present time that I ever had to do with the organization of any great corporation except this one company. I have observed the situation, and I can tell you from observation what I think, but not from relation to the organization of great companies. My business has been that of a hand-to-hand fighter in the courts, so far as anybody wanted me to act in that capacity.

Mr. HINDS. I may have been misled in the modern Arabian Nights. Where we read of these great corporations, it would seem to me that you were the Aladdin of them.

Mr. PARSONS. Well, I think everybody has stolen my thunder. They may benefit by it, and I do not object.

Mr. HINDS. I do not know but that I have wearied the committee already, and yet I have not gotten the results I hoped to get.

Mr. PARSONS. This subject interests me greatly. If at any time I have any views which can help the committee—because I recognize that what the committee wishes to do is to benefit the community, and I am a member of the community—they are at the command of the committee.

Mr. SULZER. Mr. Parsons, you drew the original trust agreement for the Sugar Refineries Co.?

Mr. PARSONS. In a sense, Mr. Sulzer, yes. That is to say, it was the outcome of work and views of others, but in the form in which it is, it is my handiwork.

Mr. SULZER. And after the court of appeals had declared that to be against public policy, you went to New Jersey and organized under the laws of that State?

Mr. PARSONS. I do not think the court of appeals held that, that it was against public policy. That was the contention before the court of appeals, but it put its decision solely upon the right of a corporation to become a partner. We never claimed a corporation could become a partner. It was very obvious from the passage which Mr. Garrett read from the opinion of the court that the North River Co. was not in any sense a corporation, that it was held in a single ownership by a single individual. What led the company to go to New Jersey was a recognition that at that time New York—and when I say New York I mean one political party the same as another; I am not discriminating against either of them—thought it suitable to go against organizations and New Jersey thought just the opposite. In other words, New Jersey invited, while New York repelled.

After it became a public fact that we were going to do so, then some wise gentlemen connected with New York realized that they were sending across the river an organization which meant the employment of a great many operatives here and the employment of a great deal of capital here, and one gentleman came to me—I cannot remember the individual—and said, "Do not go to New Jersey; come back." I can remember the answer which I gave; it was this: "If New York will change its attitude and become friendly, yes, but as long as it remains hostile, no." And I judge from what Mr. Malby has said that the tenor of recent legislative action in New York recognizes that, and that it is not wise to antagonize capital so as to send capital to benefit other communities. Do I answer your question as it is in your mind?

Mr. SULZER. Yes, sir. In other words, you organized the American Sugar Refining Co. under the laws of the State of New Jersey, because in your opinion at that time those laws were more liberal?

Mr. PARSONS. I think that that states the proposition.

Mr. SULZER. After the organization of the American Sugar Refining Co. the Knight case was brought?

Mr. PARSONS. Yes, sir.

Mr. SULZER. Do you consider that the decision of the Supreme Court in the Knight case was helpful or hurtful to the general welfare of the country?

Mr. PARSONS. I think it was helpful. I think it recognized that manufactures and general trade were legal, and that the General Government was only to interfere when it became a question which was absolutely interstate; not interstate as a mere incident, but interstate as a substantial thing; and the result of the Knight case was a feeling of security on the part of everybody concerned in the employment of capital that there was not, as a stop guard or as a difficulty to be met, the interpretation to be put upon the Sherman so-called antitrust law, and I agree with what Mr. Judson Harmon said in his opinion, and what has been said by every Attorney General of whom I know, that the community had the right to rely upon the Knight case as the interpretation of the Sherman law. And when instances were raised about that I could only see one outcome, and that was that if you were going to create an uncertainty, and in respect of a particular transaction the question arose whether it did or did not comply with the law, you would be met face to face with the refrain of some doggeral verse which I have seen at one time or another, "You will be damned if you do, and you will be damned if you do not." Now, can trade go on under those conditions? Will persons with capital embark in business under those circumstances; and if capital is not embarked and trade does not go on, who is the sufferer? Why, the poor man, the operative, the many as against the few.

Mr. SULZER. Will you tell us very briefly, especially for the benefit of the Members of Congress who are not lawyers, what the decision of the Supreme Court was in the Knight case?

Mr. PARSONS. The decision of the court was that, although, according to the proof, the Philadelphia transaction had consolidated over 90 per cent of the sugar industry and although it did distribute its sugars out of the State of Pennsylvania, none the less that was not a monopoly in interstate commerce. And in this connection, Mr.

Sulzer, may I say that I do not think there is anything more misleading than the use that is made of this term "monopoly." May I illustrate it?

Mr. SULZER. Certainly.

Mr. PARSONS. Take the case of a small community, in which community there is a capable lawyer; you know and I know that shortly he will have all of the law business in that community. Is he a monopolist? He is not a monopolist so long as all of the world can send its lawyers there and take his practice away from him if they are better men. Take the case of physicians. I think that at one time there was a rule of some medical society which limited the amount which a doctor could charge, or, in other words, the medical profession got together and combined—if you see fit to use that expression—and I suppose it meant that there should be no monopoly in a small community by one good doctor having the right to cure or kill patients. Well, do you know of any lawyer—I do not—who was willing to have that sort of supervision, whether by State of Federal Government? And what is true of the law is true of trade, because the lawyer is, I suppose, dependent upon his relations to the community—each depends upon its relations to the community. Now I am very glad that you gentlemen have asked these questions, which show how intelligently you are considering the matter and how careful you intend to be with reference to your suggesions, but please keep in mind what you have got to look after. It is not I, or Mr. A, or Mr. B, but it is the great body of the people who want to buy cheaply, and who also want the right, if they see fit, to sell dear.

Mr. SULZER. Is it your contention that the remedy for the evils of monopoly is more monopoly?

Mr. PARSONS. That has been the experience of every community of which I know. How easily, when the wheels are greased, everything goes, but when you grease only one set of wheels and the others can not move, what is going to happen?

Mr. SULZER. You were a director of the American Sugar Refining Co. from its incorporation practically down to recent times, were you not?

Mr. PARSONS. Down to when?

Mr. SULZER. Recent times.

Mr. PARSONS. Well, you may call it recent. I resigned some time ago. I have the date, if you desire it.

Mr. SULZER. You negotiated the acquisition of the Philadelphia refineries and thought that was a good thing for the American Sugar Refining Co.?

Mr. PARSONS. Yes, Mr. Sulzer, in the view in which I suppose you ask the question. That is to say, I had to do with it, but I am satisfied that for several years prior to the matter reaching me it was under consideration, and probably under treaty, and I particularly infer that from the resolution which has been read here, which was based upon a report of what had been done by Mr. Havemeyer in that regard. There is no doubt but what in the end I went to Philadelphia and had a conference with Mr. Charles Harrison, and he has told you what happened. The arrangement then was made for the acquisition of the Harrison refineries. With the acquisition of the Spreckels or the other Philadelphia refineries I had nothing to do. In fact, I do not think I knew anything about

the Spreckels transaction until it was consummated and was public property.

Mr. SULZER. In the acquisition of all these constituent companies, you acted in harmony and in concert with Mr. Henry O. Havemeyer, did you not?

Mr. PARSONS. When I agreed with him; yes; and when I disagreed with him, absolutely no.

Mr. SULZER. You differed, then, from Mr. Henry O. Havemeyer at times?

Mr. PARSONS. I want to say as emphatically as I can, Mr. Sulzer, that when I was a member of that board, I was there to give the stockholders of that company the benefit of any contribution of service which I could, and not to stand by the ipse dixit of any man, I do not care who he was, and I do not think that was true of the large men who participated in organizing that company, and I would not like to think it has been true down to now, that here were a lot of boys doing what they were told to do by a grown man. That was not the situation. In my opinion, the men who participated were capable men, and had their own views, and I hope the situation is the same down to now. I am rather unwilling to think it is not the situation down to now. But it is my recollection that Mr. Havemeyer was most deferential to the views of others, willing to listen, but if in the end he had views, of course he expressed them, and if they were right, others agreed. If they did not correspond with what was thought by others, they did not agree, and I have in mind several cases where the most earnest difference existed, and sometimes Mr. Havemeyer yielded to my views, and sometimes I to his.

Mr. SULZER. Did you agree or differ from Mr. Henry O. Havemeyer regarding the acquisition of interest in the beet-sugar companies?

Mr. PARSONS. I think I may answer that—generally, yes. I think that when that subject first was started it was rather novel to me, and then I was under the idea, not having had much experience with beet sugar, that cane sugar suited the American public better. But here was this wise man, with an intimate knowledge of the subject, as I think, the most capable man to deal with it, who had given great consideration to the subject, who had studied it here and abroad, who went through the beet-producing country, who made up his mind what the American public in the end would prefer would be to depend on home as against foreign industry. He talked these matters over with me. I was in Europe on occasion and saw what beets were doing for France and for Belgium and for Austria and for other countries, and if I needed to be converted—I do not think I did—I became converted to the belief that in the long run, in the ultimate future, what the United States would wish would be to help this country as against helping Java.

Mr. SULZER. You went West with Mr. Henry O. Havemeyer at one time to look over the beet-sugar industry?

Mr. PARSONS. He invited me to do so. I did not go. I always regretted I did not; but I was not able to leave my work.

Mr. SULZER. But you agreed finally with Mr. Henry O. Havemeyer that it would be a good thing for the American Sugar Refining Co. to own a substantial interest in the beet-sugar companies of the West?

Mr. PARSONS. I think, Mr. Sulzer, I can answer yes; but that would

not be a complete answer. I think I came to the conclusion that it was in the interest of the American Co. that it should be able to meet both situations; that is to say, if the future meant beets, it should be in beets; if the future meant cane, it should also be in cane. In other words, it should not abandon either and take the contingency of the other; and I think that is the policy which was adopted.

Mr. SULZER. In that connection, and as a matter of public policy, do you think it an advisable thing for one big corporation, practically controlling 40 or 50 or 60 per cent of the product of the country, to own a majority or a substantial minority of the stock of competing companies?

Mr. PARSONS. Well, that is a very broad question, which can not be answered yes or no. Merely for the purpose of suppressing competition, if that was the sole object, no; but if for the purpose of promoting the good of both sides, of benefiting each competing interest, yes; consistently with what the public have a right to expect, because, as you will see, I believe that the result of these organizations, hands off, the usual laws of trade prevailing, to be in the interest of the consumer. Suppose the consumer says, "I won't consume;" where are they? I am among those who can remember a time when, for sweetening your coffee, if you please, you depended upon perhaps molasses or upon raw sugar; and, as I believe, under the influence and only under the influence and the outworking of these great organizations, there came a time, I think to-day, when, if the Government duty is left off, refined white sugar—cane sugar—is selling for a little over $60 a ton; and I have seen hay in the city of New York sell for over $40 a ton. Now, if you can have sugar cheaper than that, I want it cheaper; but I do not want to have anything done that is going to put the price up.

Mr. SULZER. Then we are to understand by that that if it is in the interest of the consumer for one large company to practically control the product of an industry, to own a majority or a substantial minority of the stock of competing companies, it would be a good thing.

Mr. PARSONS. Yes; with the qualifications I have endeavored to adduce.

Mr. SULZER. I think I stated the qualification—if it were in the interest of the consumer.

Mr. PARSONS. If it were in the interest of the consumer. Now, you take the organization of the Sugar Refineries Co., the general idea was that what it meant was that the price should be put up; that the American public should pay more; and that thereby would be made a great profit to those concerned in the organization. If Mr. Havemeyer or the wise gentlemen, Mr. Thomas, and others, who participated, entertained that idea, I have changed my mind in reference to their conduct. Their interest needed to be with the public.

Mr. SULZER. You never entertained such an idea, Mr. Parsons?

Mr. PARSONS. Never. And look at the facts—enlarged the output, enlarged the number of persons who could use refined sugar, reduced the price. But it is an application of a principle which we all have heard in some shape or other, "many mickles make a muckle."

Mr. SULZER. Quite true; and it was your idea from the very inception of the sugar combination that it was a good thing for the people,

because it would have a tendency to bring about the maximum efficiency and hence cheapen the cost of the product to the consumer?

Mr. PARSONS. I think that was the ultimate outcome, and I think as bearing upon it is what is illustrated by the Spreckels and Arbuckle wars, that the moment the price is put up, then some strong person comes in, and then there is a war of competition. If that is in the interest of the public, they get the benefit of it, but the outcome of it is that when peace comes, it comes on the basis of a price that will not tempt another war.

Mr. SULZER. Hence the final analysis of the good or the evil of a combination in the nature of a monopoly, in your judgment, depends wholly or very largely upon the moral conduct of the men who control the combination.

Mr. PARSONS. Of course, the moral conduct of the men is always a factor to be considered. A community will not trust men unless they are worthy of trust.

Mr. SULZER. And if they want to operate the combination in the interest of the people, they can do so, and materially cheapen the product to the consumer.

Mr. PARSONS. I think the interests are identical. I do not see any difference between them.

Mr. SULZER. And of course if they were avaricious and exceedingly selfish, they could operate the combination in such a way as to increase the price of the commodity to the consumer.

Mr. PARSONS. Possibly, temporarily, but the outcome would very quickly teach them a lesson.

Mr. SULZER. You think public clamor would bring them to their senses?

Mr. PARSONS. Not only that, but an increased price is a temptation to persons to come and fight them, and in the end, loss and not gain. I am not expressing my individual views. All the economists through this line of argument reach a result to the effect that aggregation of capital and aggregation of labor are in the public interest.

Mr. SULZER. The tendency of all business within the past quarter of a century has been along the line of better organization, combination, cooperation, with a view entirely to keeping down the expense to the minimum.

Mr. PARSONS. I think that has been a very important, and I think a controlling factor.

Mr. SULZER. And keeping the efficiency up to the maximum.

Mr. PARSONS. I think that is a very important factor.

Mr. SULZER. And this process of cooperation, instead of competition, has practically brought about in the United States an industrial revolution?

Mr. PARSONS. I think I can say yes.

Mr. SULZER. And revolutions, as you know, from a purely economic view, never go backwards.

Mr. PARSONS. I won't quite say that. I remember the French Revolution.

Mr. SULZER. Do you think the French Revolution went backward?

Mr. PARSONS. I think the French people suffered a great deal from the French Revolution.

Mr. SULZER. Temporarily.

Mr. PARSONS. That is the point, temporarily. Now you have hit upon the right point. Temporarily, yes; but these things right themselves.

Mr. SULZER. I am a great believer in the consensus of opinion of the world that the French Revolution did about as much for human liberty as anything that ever occurred. However, you believe that this industrial process which has been worked out by yourself, and many others in this country, by which competition is passing in the shadow and cooperation is becoming the policy of the day, is a good thing, take it all in all?

Mr. PARSONS. I won't quite acquiesce in your suggestions, but I think that the situation is in the interest of the public.

Mr. SULZER. And so far as the public is concerned of course everything will depend, more or less upon the character and the broad-mindedness of the men who are in control of the combinations.

Mr. PARSONS. I think so.

Mr. SULZER. Then it is your opinion that the remedy for the evils of combination is more combination?

Mr. PARSONS. Not at all. I think it is to leave persons free to do as they choose, and to recognize that immediately, if there is any abuse, there will be competition which will correct it.

Mr. SULZER. In other words, you are in favor of the widest publicity regarding the conduct of great corporations in the United States?

Mr. PARSONS. Oh, no. I am in favor of the largest liberty.

Mr. SULZER. Are you not in favor of publicity in regard to the conduct of great corporations?

Mr. PARSONS. Within certain lines; yes. That is a very wide subject, as to which I do not care to speak. I am in favor, Mr. Sulzer, of the action which was ta ken by the American Sugar Refining Co.'s stockholders at an annual meeting, the minutes of which have been referred to here. I do not believe that that action has been changed, and inasmuch as at some time or other I want to explain that, if I may, I will do so now. Who is it that wants to know about the internal affairs of any organization?

Mr. SULZER. The people.

Mr. PARSONS (continuing). In the first place, competitors. Now, can any business be carried on when on one side you have an organization which is compelled to tell its competitors all about its business, and on the other side the competitor is not compelled to do so? And you and I, who are in New York, know that the persons who want information of that character are the persons who want points for the stock exchange; or, in other words, if any one man can say, "I have information about the American Sugar Refining Co. which constitutes a point," it affects a business, which I have nothing to say against, which is conducted on Wall Street; but I think it is the duty of the board of directors of every corporation to see to it that no individual has favored or special information, and that what is given to one is given to all, and what is not given to all is not to be communicated to one. When you come down to details, the State of Massachusetts provides that in the month of March every year there shall be a sworn statement of the assets and liabilities of every corporation doing business in that State. It is what has for years been called the March statement. It is a sworn statement and gives to the public the very information that you wish.

Mr. SULZER. We have a Federal law now which also requires that, Mr. Parsons.

Mr. PARSONS. It may be. With that I am not familiar. But I am perfectly familiar with the Massachusetts statement, and that is what is relied upon. To that extent I say yes, but when you get beyond that—information which is to help some malign purpose, then you have got to consider what can be the effect. And, Mr. Sulzer, all this leads back to the valuation which is to be put upon property, and the fact that the public can be misled by statements of this kind, given out in the most absolute good faith, because as we have discussed before here, what is the rule of value you are going to apply?

Mr. SULZER. Do not misunderstand me, Mr. Parsons, the reason I ask you these questions is because ever since I have been a Member of Congress I have been a great advocate of publicity, and I believe, and a great many others I think agree with my contention, that if there was more publicity regarding the conduct of these great corporations there would be less prejudice, to use no harsher word, against their management.

Mr. PARSONS. Would you draw the line between individuals and corporations where the amount of business done is precisely the same?

Mr. SULZER. No; you can hardly draw the line between the individual and the corporation, because an individual is a person and a corporation is a creature of law, and the law should control its own creatures.

Mr. PARSONS. I know, but this is a question of conduct of business. I thank you for letting me say what I have.

Mr. SULZER. Now, Mr. Parsons, you conferred and cooperated with Mr. Henry O. Havemeyer in regard to the acquisition of practically all of the companies that were bought up by the American Sugar Refining Co., or in which you acquired an interest, did you not?

Mr. PARSONS. When he spoke to me on the subject, yes; otherwise, no. But in very few cases did he have occasion to speak to me.

Mr. SULZER. Every one of these acquisitions came before the board of directors, directly or indirectly, did they not?

Mr. PARSONS. I can not answer as to that. I know that there was a meeting of the board at which I was not present, when there was considered this beet subject in some aspect or other, but as it was a rare thing for me to attend the meetings, and only when there was to be considered some general question——

Mr. SULZER (interposing). Do you ever remember a meeting of the board of directors of the American Sugar Refining Co. in which there was a substantial division of opinion among the directors as to the policy of Mr. Havemeyer and those associated with him, regarding the acquisition of competitors or the acquisition of an interest in competitors?

Mr. PARSONS. I do not remember such a case. I think perhaps I ought to explain this: There was an executive committee consisting of the most capable men, and I suppose these questions were considered by them, and it was only when formal action, corporate action, was required, that the board of directors met, and I very rarely attended their meetings.

Mr. SULZER. You gave some testimony yesterday regarding the factor's agreement between the American Beet Sugar Co. and the American Sugar Refining Co. As I understand, that agreement was drawn up by Mr. Murray and was submitted to you and approved by you. Now, can you tell us why, in that factor's agreement, the New England States were eliminated?

Mr. PARSONS. Mr. Sulzer, you have unintentionally confused two transactions; a factor's agreement, which is one thing, and the contract with the American Beet Sugar Co., which is quite a different thing. I have told Mr. Hardwick that I do not recall what was the reason for omitting from the Beet Sugar Co. operation the New England States. When you come to the factor's agreement, I shall be very glad to answer questions about that, for I know all about that situation.

Mr. SULZER. Will you tell us very briefly, Mr. Parsons, why, in the factor's agreement, the New England States were eliminated?

Mr. PARSONS. They were not, that I remember.

Mr. SULZER. They were not eliminated in the factor's agreement?

Mr. PARSONS. No; I think not.

Mr. SULZER. That agreement took in the whole country?

Mr. PARSONS. May I explain the factor's agreement? Is not that the better way?

Mr. SULZER. Yes; I wish you would, Mr. Parsons.

The CHAIRMAN. Mr. Parsons, I think if you can do so, it would be better for you to answer this other question first, and then explain it. When Mr. Sulzer refers to the factor's agreement, he means the agreement between the American Beet Sugar Co. and the American Sugar Refining Co., relative to the handling of the product of the former by the latter.

Mr. PARSONS. I said yesterday I could not recall what the explanation was. When the contract was brought to me it was in that form, and I did not ask any questions about it. I simply looked to see whether it bore upon any question of restraining output or preventing competition or anything of that kind; or in other words, whether it violated the Sherman law, and in the view I entertained of the Sherman law, it did not.

Mr. SULZER. Was it asserted at that time, that by eliminating the New England States, that would substantially evade the provisions of the antitrust act of 1890?

Mr. PARSONS. I do not think so. I do not think I ever had any such idea.

Mr. SULZER. Now, will you be good enough to tell us what you know about the factor's agreement, which has been referred to here?

Mr. PARSONS. I understand the factor's agreement to have been an arrangement by an organization which was called the American Wholesale Grocers' Association. It has been thought that it was a scheme of the American Sugar Refining Co., but just the reverse is the case. So far as I have ever learned, the American Sugar Refining Co., if it had any wish in regard to the matter, would have been opposed. But here was this American Wholesale Grocers' Association, which was represented throughout the whole country, and the first I heard about the matter, so far as I can recall, was when, for some reason, there had come an end to the business being done under the factor's agreement, and the outcome was that I was on

one occasion called upon by some gentlemen connected with the American Wholesale Grocers' Association. I can not remember their names, but, Mr. Hardwick, I do remember that one of the gentleman came from the State of Georgia, if I remember correctly.

The CHAIRMAN. Do you remember his name?

Mr. PARSONS. I can not remember his name. All I know is that he was a wholesale grocer and held some official relation, as I think, with this Wholesale Grocers' Association.

The CHAIRMAN. Was Mr. Thurber one of them?

Mr. PARSONS. I would not remember the name if I heard it.

The CHAIRMAN. He was the president of the association?

Mr. PARSONS. I do not remember the names at all. I only met them once. What they said to me was that sugar was a very close article, that the retailer wanted to make what profit there was in the disposition of the sugar, and that there had been an arrangement under which the wholesale grocers got some small benefit, the 15 cents which is referred to, and that it had been suggested that that arrangement violated the Sherman law, and that in consequence the arrangement was at an end. They asked me what I thought about it, and if I can recall correctly, I do not think I expressed any views. I think if the Sherman law hampers trade, you may say unpleasant things about it, and evidently these gentlemen thought that it was interfering with their business throughout the whole United States. I think it is a very good test of the operation of that law, because here were the wholesale grocers of the country who were complaining, not that it helped, but that it hurt their business.

The CHAIRMAN. Because it kept them from making a profit on what everyone of them had agreed to charge.

Mr. PARSONS. Whatever it may have been. I think Mr. Hardwick probably knows more about it than I do. What I know is this: When they came to me, they said, and they satisfied me that the agreement was in the interest of this large body of people; that there was no complaint except on the part of retail grocers, if I get at it correctly, and I rather intimated to them that it was a fight they had better carry on between themselves. They said no; that they had come to me, and that if we would not give them the benefit of the factor's agreement, would I not draw a contract that would keep within the Sherman law? If I had known as much about the Sherman law then as I do now, I would recognize that I would not know how to draw such a contract, but what I did say to these gentlemen was: "You know all about the matter. You have counsel, have you not?" They said "Yes." "Counsel in whom you have confidence?" "Yes." "You go to him and get him to draw a contract, and bring it to me and I will pass upon it." They left, and I never say them afterwards.

Mr. SULZER. Mr. Parsons, do you consider that the American Sugar Refining Co. at the present time is carrying on business in restraint of interstate commerce?

Mr. PARSONS. Perhaps I ought to say, to begin with, exactly how, in detail, the American Co. is carrying on its business I do not know. But, if it is carrying on business as it did—as shown by the testimony in the Knight case—then you know what the court held in the Knight case. And let me say here that the Knight case involved the original organization of the American Co. as effected by the purchase of the Philadelphia refineries. The whole situation was

before the Supreme Court of the United States, and I think that the Knight decision was enormously in the interest of the country, and operated and worked out so.

Mr. SULZER. And you think that is a precedent that controls the conduct of the American Sugar Refining Co. at the present time?

Mr. PARSONS. I think the Government ought to stand by it.

Mr. SULZER. And that the American Sugar Refining Co. at the present time, or within recent times, is not carrying on business in restraint of trade?

Mr. PARSONS. Not so far as I know. I think they want to enlarge trade just as much as they can. I know I should.

Mr. SULZER. You do not consider the American Sugar Refining Co. a trust, do you?

Mr. PARSONS. A trust?

Mr. SULZER. Yes.

Mr. PARSONS. Not if you and I mean the same thing by the term "trust."

Mr. SULZER. Well, we will take a trust as defined by the recent decisions of the United States Supreme Court in the Standard Oil case and in the tobacco case.

Mr. PARSONS. I do not remember what those decisions say on that particular point. It was originally a trust, as Judge Madison and others have said. There were trustees.

Mr. SULZER. I am not referring to that. I am referring to the corporation organized under and by virtue of the laws of the State of New Jersey and known as the American Sugar Refining Co. I am asking you now if, in your opinion as an eminent lawyer, you believe that the corporation is in violation of the antitrust act of 1890?

Mr. PARSONS. I do not think that it is. I think that it is a corporation which is not a trust, and I think that the term "trust" as applicable to it is a misnomer, and as applicable to all other similar organizations.

Mr. SULZER. And, of course, you do not believe it is a monopoly?

Mr. PARSONS. Certainly not. Anybody in the world can start the business of sugar refining, here and elsewhere. And, you know, the history of the business from 1887 down has been a growth of competitors, and it will go on, if you will let things alone.

Mr. SULZER. Why is the American Sugar Refining Co. now selling the stock it owns in the beet-sugar companies?

Mr. PARSONS. I think you will have to ask the gentlemen who are responsible for that action.

Mr. SULZER. You do not know?

Mr. PARSONS. I do not know. I am not connected with the company.

Mr. SULZER. Do you think it would be a good thing, in the interest of the people and the consumers of the country, if Congress would eliminate the sugar differential?

Mr. PARSONS. You mean in our tariff?

Mr. SULZER. Yes; in the tariff law at the present time.

Mr. PARSONS. I do not think I have any opinion on that subject worth anything.

Mr. SULZER. Do you think it would be a good thing for the people and in the interest of the consumers of the United States if Congress

would materially reduce the tariff upon raw sugar and upon refined sugar?

Mr. PARSONS. That, I suppose, is a question of home and foreign production.

Mr. SULZER. Have you given the subject any attention at all from an economic standpoint?

Mr. PARSONS. Only on the lines I have referred to. I think we ought to encourage a home industry and help it while it is weak, and gradually it will draw the help as it gets to be strong.

Mr. SULZER. Do you consider the beet-sugar industry at the present time in the United States weak or strong?

Mr. PARSONS. I think it is capable of being enormously increased.

Mr. SULZER. Do you think it needs any protection?

Mr. PARSONS. I do not think my opinion upon that subject is worth anything, by comparison with what you have heard from gentlemen from Utah and from Colorado, and so on, who say you will kill it if you deprive it of protection.

Mr. SULZER. That is all I have to ask.

The CHAIRMAN. Gentlemen, we promised to excuse this witness at 1 o'clock, and we have an hour and a half more, and I suggest that we divide up the time a little, and I will ask the gentlemen who have not examined the witness—I think there are three of us who have not examined him—to try and keep within a third of the time left.

Mr. MADISON. I will try and do so, and I will ask my questions as quickly as I can and will ask the witness to make his replies just as brief as he can. I am going to keep off the economic ground.

Mr. PARSONS. I will, Judge Madison, but you can not say yes or no to complicated questions.

Mr. MADISON. Well, I will try not to ask complicated questions, if I can avoid doing so. Going back to 1887, you formed your original trust then. In 1891, as a result of the North River Refining Co. case, you formed the corporation known as the American Sugar Refining Co., incorporated under the laws of New Jersey?

Mr. PARSONS. It was formed, and to a certain extent the decision of the court of appeals bore upon it.

Mr. MADISON. Well, I was making that statement for the purpose of getting on common ground, so we could get the continuity of thought. Now, then, as a result of that combination, which has been gone into very thoroughly, you brought in under one business management 17 companies, embracing a company at St. Louis, practically everything at New Orleans, and practically everything on the Atlantic coast, except Pennsylvania. The Pennsylvania refineries you did not then get in under the American Sugar Refining Co. Now, then, later, beginning about 1891, and lasting through 1892, the company, as I understand, purchased the stock of practically every single one of the Pennsylvania or Philadelphia refineries; that is true, is it not?

Mr. PARSONS. If you say so. The details are not within my memory, and about many of them I had no knowledge.

Mr. MADISON. You had nothing to do with them, except in the Harrison case?

Mr. PARSONS. That is the only case in which I personally participated.

Mr. MADISON. But, historically, that is correct, is it not?

Mr. PARSONS. You say 17 refineries. I do not remember whether the number was 17, or what it may have been, but I assume what you say to be so.

Mr. MADISON. You made a very interesting statement yesterday, and I do not want to get into the economic proposition, and I am simply going to agree with you that if you combined every single sugar refinery in the United States to-day that to-morrow you would find competition. I am going to agree with you on that, because of the fact that somebody else would go in the business; whether it would be competition that would be potential or not, I am not going to express any opinion about that. You and I would probably differ. Now, then, after you had succeeded in 1891—and by "you" I mean the American Sugar Refining Co.—in getting practically all the refineries in under the one management, there did spring up, in response to the economic law which you refer to, certain independent refineries right here in New York under the shadow of the American Sugar Refining Co.'s refineries. Possibly some of them had existed for some time. One was the National Sugar Refining Co., was it not?

Mr. PARSONS. There were several companies which eventually went into the National.

Mr. MADISON. I know. First, there was the old National—the National Sugar Refining Co., organized under the laws of New York, was there not?

Mr. PARSONS. Judge Madison, I only remember individual names, Mollenhauer is the name in my mind in regard to the matter, but corporate names I do not recall. I do remember there were corporations the stock of which was acquired by what became the National, and with that transaction I had to do.

Mr. MADISON. There were three companies that in 1900 were operating here in New York in competition with the American Sugar Refining Co. after you had succeeded, in 1891 and 1892, in bringing in the Philadelphia companies and practically all the refineries of the country—there were three refineries here in New York and Brooklyn that were operating in competition with you in 1900?

Mr. PARSONS. Yes.

Mr. MADISON. Now, there was the Mollenhauer organization.

Mr. PARSONS. I remember that name.

Mr. MADISON. And McCahan.

Mr. PARSONS. I had forgotten that name.

Mr. CRAWFORD. McCahan was in Philadelphia.

Mr. MADISON. Yes; that is true. And the New York Sugar Refining Co.

Mr. PARSONS. I think so.

Mr. MADISON. And the old National, which was the Post-Howell organization, as I remember it?

Mr. PARSONS. I remember Post-Howell.

Mr. MADISON. Now, those refineries were operating in competition with you in 1900. Were there any conversations or any conferences held between those interested in the American Sugar Refining Co.—Mr. Havemeyer, yourself, and others—as to bringing these organizations together, combining them, and getting control of them by the American Sugar Refining Co.?

Mr. PARSONS. Never, of which I heard. The whole of that transaction was exactly the reverse, that there should be no combination between these outside refineries and the American Co.

Mr. MADISON. I will ask you if, as a matter of fact, these three companies, which had grown up since your original combination, and to which I have referred, were not actually combined together under the name of the National Sugar Refining Co. of New Jersey?

Mr. PARSONS. Practically; I think that is so.

Mr. MADISON. Who was it that brought about and managed that combination of those companies?

Mr. PARSONS. I think that Mr. Havemeyer had to do with it. I think he conspicuously had to do with it, and Mr. James H. Post, who has been examined as a witness, and among others I was spoken to upon the subject and took part.

Mr. MADISON. Mr. Havemeyer at that time was the president of the American Sugar Refining Co.?

Mr. PARSONS. He was.

Mr. MADISON. I will ask you if it was not a fact that the plan was this: That the new company was to be organized as the National Sugar Refining Co. of New Jersey, with a capital stock of $10,000,000 of preferred and $10,000,000 of common, and that the stockholders of these corporations to which I have referred were to exchange all of their stock for the preferred stock of the National?

Mr. PARSONS. You mean the preferred stock of the American?

Mr. MADISON. No; of the National.

Mr. PARSONS. Then I have lost the thread of your question.

Mr. MADISON. I will repeat my question. Was not the plan to combine these three companies substantially as follows: That there was to be a company organized, known as the National Sugar Refining Co. of New Jersey, with a capital stock of $20,000,000; $10,000,000 of preferred and $10,000,000 of common, and that the stock of these three original companies was to be exchanged for preferred stock of the National Sugar Refining Co.?

Mr. PARSONS. No.

Mr. MADISON. Well, what was the plan?

Mr. PARSON. The transaction meant a union of the three refineries concerned into the National Sugar Refining Co., absolutely independent, to be under the management of Mr. James H. Post, who was a very capable sugar man, and who would manage the business of the National Co. in the interest of the National Co. So far as I at that time learned, the question of the acquisition of preferred stock of the National Co. by the American Co. came afterwards. The original plan was that Mr. Havemeyer, Mr. Post, and other persons associated should acquire the other companies by their own means and by the use of their own securities, and the matter seemed to me as desirable, and I happened to have some securities and some cash on hand, and I was asked whether I would participate, and I did put up such securities as I could to aid what I regarded as a desirable arrangement, but never with any expectation that there should be a union with the American Co., and always with the most earnest purpose that there should be no such union, and it was simply in the exercise of the right which everybody had to engage in this business, whether they were in or out of the American Co.

Mr. MADISON. Well, is it not true that the stock of the old companies was to be exchanged for preferred stock of the new, and in that way the combination was to be effected; that they were all to be brought in—they all had to get into the new company, and was not the modus operandi there to be an exchange of the stock of these old companies for stock of the new, and in that way they were all brought in under the new company, and that afterwards the American bought the stock, or acquired the preferred stock that these three companies had exchanged their stock for?

Mr. PARSONS. I can not say yes or no to that question. I can tell you what the fact was.

Mr. MADISON. Just answer what the fact was.

Mr. PARSONS. I never knew until after Mr. Havemeyer's death what interest he or his estate had in the common stock of the National Sugar Refining Co.

Mr. MADISON. I did not ask for comment; I am keeping off that now.

Mr. PARSONS. Well, I can only tell you what the facts were.

Mr. MADISON. I beg your pardon; if that is the case, I will not interrupt you.

Mr. PARSONS. I never knew until after Mr. Havemeyer's death what his interest or the interest of his estate was in the common stock of the National. I assumed that he and anybody else associated with him—and who they might have been it had never become necessary for me to know—were making this arrangement on the basis of common and preferred, and that out of the common stock they would get any advantage or be subject to any disadvantage which came from that transaction, but that there never was any union of the two. Later on came the question, as I supposed, and it might have been talked of at the time, whether the American Co. should acquire an interest in the preferred stock.

Mr. MADISON. That is, of the new National?

Mr. PARSONS. Of the new National. It was assumed to be a good 6 per cent investment, and it has proved so. It was assumed to be desirable and fairly in the common interest, because here were persons on the National side who knew how to carry on the business, were willing to engage in creating competition under no restraint at all; and following the idea I have always entertained that the American Co. was justified in acquiring what I supposed was a minority interest at that time with no responsibility of control, it acquired that preferred stock.

Mr. MADISON. In other words, it bought it outright, after these old stockholders had exchanged their stock in their old companies for the preferred stock of the new.

Mr. PARSONS. I do not remember the exact order of time.

Mr. MADISON. But they did get possession of all that preferred stock which was issued, in exchange for the National stock, or practically all?

Mr. PARSONS. The American Co.?

Mr. MADISON. Yes; 51 per cent of it.

Mr. PARSONS. Fifty-one per cent.

Mr. MADISON. They purchased that?

Mr. PARSONS. That is my idea.

Mr. MADISON. Now, then, they did not acquire any of the common, did they?

Mr. PARSONS. No; the utmost care was to be taken that they should have no relation to that transaction, because at that time had begun these questions about the Sherman law, and the way proposed was that there should be no conflict with the Sherman law.

Mr. MADISON. Now, then, the stock of the old companies was exchanged entirely for preferred stock, but ten millions of common stock was in fact issued. Now, do you know what the basis of that issue was, the ten millions of common? They had united all the companies, acquired all the properties for the preferred stock; consequently the combination was effected and everything was adjusted for the ten millions of preferred. Now, then, notwithstanding that, ten millions of common was issued, and Mr. Havemeyer obtained possession of it. Now, can you tell what the consideration was for that ten millions of common and how Mr. Havemeyer came to get possession of it?

Mr. PARSONS. I can not acquiesce in your assumption of facts, Judge Madison.

Mr. MADISON. Then correct them, because my statements are to be taken rather as interrogative than otherwise.

Mr. PARSONS. About the details of the transaction I had some, but not complete, knowledge. What I assumed was that a lot of gentlemen got together—Mr. Havemeyer was one, Mr. Post was another, and the other persons who were concerned—and they made an arrangement by which they controlled the three refineries. Then they, being the parties in interest, determined what should be the capitalization, how much of it should be preferred, and how much should be common, it being their factory and the American Co. having nothing to do with it, absolutely. Then there being the preferred and the common was made the arrangement by which the American Co. acquired 51 per cent of the preferred stock. Now, I heard you express a very positive opinion a day or two ago, to the effect that in this suit which has been brought the American Co.—in whatever name the suit may be brought—would certainly succeed. If it succeeds, it will succeed upon an assumption of fact which is exactly the reverse of what took place. The interests were those of Mr. Havemeyer and the others cooperating with him. As it appears now, Mr. Havemeyer and those associated with him brought about the arrangement. The American Co. had nothing to do with it, and I do not believe, if you wish me to state my view, that by any process of reasoning that transaction is going to be decided in the interests of the American Co., which is in the situation of claiming no, it did not have anything to do with it, and yes, it had something to do with it. "We did not have anything to do with it in so far as it bore upon restraint and competition, and we did have something to do with it in so far as getting the results of it."

Mr. MADISON. I was only making the assumption that the American would then be in control, because if the $10,000,000 of common stock was canceled, it would leave the American Co. in possession of 51 per cent of the only legal, valid stock. Now, that is the reason I assumed that the American Co. would be in control.

Mr. PARSONS. You are quite right about that.

Mr. MADISON. We will not follow that phase of the matter any further, because I am somewhat limited with regard to time, although otherwise I would like to go into it very thoroughly. You have not yet answered my question as to what the basis was for the issuance of the common stock. Was there any money paid for it; was there any property exchanged for it; or was it exchanged in consideration of the value of the promotion services of Mr. Havemeyer and those associated with him?

Mr. PARSONS. I am not able to say.

Mr. MADISON. You received a part of that $10,000,000 of stock?

Mr. PARSONS. I answer yes; and I have told you I participated to a certain extent, and I rendered the legal service which bore upon that transaction, and when it was all over, I was given to understand that I should receive for my services some of the common stock. Now, that meant my assistance in the transaction; it meant the law service rendered by myself and my firm, and it meant what I did.

Mr. MADISON. How many shares of stock did you receive?

Mr. PARSONS. I did not receive them. The amount talked about was 4,000 shares; but if you care to know the history of the transaction, later on I will tell you.

Mr. MADISON. Well, go ahead and give it briefly.

Mr. PARSONS. There came a time, I remember—I had forgotten about it, but I do now remember that something was said about 4,000 shares. Now, I have said before that I would have preferred to receive whatever I was entitled to in money; and you have used the expression "water," and I recognize the difference between coin of the realm and water; and there came a time when Mr. Havemeyer said to me, "For all you have done, for all your firm has done, for all you have contributed, and for your help in the transaction you shall have 1,000 shares of the preferred stock." I received it and paid the interest of my firm in cash, and as an investment I held it.

Mr. MADISON. Then you did not get any of the common stock?

Mr. PARSONS. I did not. It was talked of; but I did not get it.

Mr. MADISON. Did I understand you to say that you recognized the difference between water and coin of the realm, and that that stock looked of such an aqueous nature that you rather shunned it?

Mr. PARSONS. Not at all. I was dealing with honorable gentlemen. I was perfectly willing to trust them. I believed in Mr. Havemeyer. I believed in Mr. Post. Mr. Post was a most efficient sugar man, and I knew that under his management the National Co. would be a success; and whether it was a question of common stock or preferred stock, there would be value in it. But when the gentlemen said to me "You may have preferred," I took what they said. And, if you will pardon me, I want to say here, because there has been talk about Mr. Havemeyer, and I have said that I am not here to eulogize him, but I am here most indignantly to remonstrate against aspersions put upon him, whether he is living or dead.

Mr. MADISON. And particularly by those who were the beneficiaries of his bounty?

Mr. PARSONS. Precisely that. I have no sympathy with that mode of doing things. There came a time when it looked as if the common stock was going to be worth more than the preferred, and this gentleman came to me and said, "Now, if you want to have that common stock instead of your preferred, you shall have it." I said, "Mr.

Havemeyer, I am satisfied with the outcome of the transaction; let it go," and Havemeyer benefited by the common stock; I did not.

Mr. MADISON. Now, Mr. Parsons, testimony was given here the other day about a meeting between Mr. Arbuckle and Mr. Havemeyer; that after considerable competition, in which the American had gone into the coffee roasting and selling business, that ultimately both of them became tired, apparently, of the competition, and that there was a foregathering of the two gentlemen here in the city of New York; and that, whatever occurred at that time, the fact was that afterwards there was peace where war had before raised its dread head. Now, will you tell us whether you knew anything about that meeting?

Mr. PARSONS. About the meeting? I knew something about the transaction.

Mr. MADISON. Will you tell the committee what it was?

Mr. PARSONS. With great pleasure. I learned on one occasion that Mr. John Arbuckle, with whom I had a very slight personal acquaintance, had had a talk with Mr. Havemeyer, and it was in my mind that it had taken place at Mr. Havemeyer's house. I think there is some testimony here to that effect. In some way I learned that Mr. John Arbuckle proposed to call upon me. He did call. I understood from him that he called by the suggestion of Mr. Havemeyer; that he had been to see Mr. Havemeyer, and Mr. Havemeyer had said, "See Mr. Parsons." I had a little talk with Mr. Arbuckle. I think there was a second interview, and then there was a little more talk, but it amounted absolutely to nothing. In the first place, I was opposed to any arrangement, because arrangements of that kind are never carried out. It immediately becomes a question of whether one side or the other can gain something of the other, and except in the case of the beet companies and other companies, I have never been willing to favor arrangements of that kind. I heard what Mr. Arbuckle had to say. He was a very worthy gentleman, and I had respect for him; but at the moment he touched upon the matter I found out there was to be no agreement between Arbuckles and the American Co. He came a second time, and the result was the same, and I can tell you what the outcome was. Mr. Arbuckle, I have no doubt, said, "Well, we will go ahead and fight sugar," and I know very well that I said, "Go ahead, and we will fight coffee," and so far as there being peace, it will be found that the war was more animated after that time than it had been before, and continued so for a year or more, until, as Mr. Arbuckle would say, the American Co. came to its senses, and as the American Co. would say, Mr. Arbuckle came to his senses. And then there resulted the situation which ensued, and I do remember that in Mr. Arbuckle's mind was an idea—he said something to that effect, that he did want to end it, but he wanted to end it and gain by it. He wanted to end it because he had a sort of idea that John Arbuckle was a person who was the sufferer.

Mr. MADISON. John Arbuckle?

Mr. PARSONS. He was the gentleman who came to see me. I do not suppose he liked to lose John Arbuckle's money. So the outcome was that there was no agreement, but it was war until there resulted what the natural rules of trade always lead to, a recognition that each party must take his fair share of the trade at a fair price, and you may call it armed neutrality or armistice, or any other expres-

sion that has been used here, but I call it the outcome of the natural laws of trade.

Mr. MADISON. I think I have heard it stated that when Mr. Arbuckle came to see you, he came with a proposition, and that he was somewhat docile, and that you looked out of the window and could see him coming up the street with an olive branch as big as a tree. Is there anything in that—that he came to you with a proposition for peace?

Mr. PARSONS. I do not like to dispute anything that you tell me you have learned.

Mr. MADISON. No; I said I had heard it. I am asking for confirmation of these things. I do not know them at all. It is pure hearsay with us.

Mr. PARSONS. I should say that if you wanted to find a parallel for that statement you had better read the Arabian Nights tales.

Mr. MADISON. What was the proposition, then, that Mr. Arbuckle came to you with?

Mr. PARSONS. It was the biggest thing in the world. What he said to me was about this: "Why is this fight?" I do not remember the language, and I am putting the idea, not the language. "Here is this fight. Isn't it a pity?" I said, "Yes." "Can't we do something?" "What, Mr. Arbuckle?" "Can't you make some suggestion?" "No. Can't you make some suggestion?" "No. I agree that it is too bad." That is the sort of talk. Is that coming to an agreement?

Mr. MADISON. I am just asking for the facts.

Mr. PARSONS. There never was anything in the nature of an agreement. I suppose Mr. Arbuckle might have thought the talk will show where is the weak point about sugar. I was willing to talk, because I thought it might show where was the weak point about coffee, and I think that is where the matter ended. I came to the conclusion that coffee was a weak point with Arbuckle, and he may have thought that sugar was with the sugar company, and so they went ahead to fight it out until they fought to peace.

Mr. MADISON. And the first man to throw up his hands and quit was Havemeyer or Arbuckle?

Mr. PARSONS. I don't know about that. I would have supposed they both came to the conclusion that the fight, if it went on forever, would be like some fights of which I have read in Irish history—there would not be any combatants left.

Mr. MADISON. Did they arrive at that conclusion about the same time?

Mr. PARSONS. I do not know. Those things are not done by agreement. I have heard it said that the outcome was, I think, that they got the territory of Ohio and West Virginia. Is not that so? If they did get it, I suppose they got it and suppose they were satisfied, and what happened so far as the American Sugar Refining Co. is concerned has been testified to here. They went on with coffee, and one of the circumstances of the fight——

Mr. MADISON. And you went out of coffee?

Mr. PARSONS. I think that happened long afterwards; but one of the coffee incidents seemed to me to be rather amusing and to about correspond with what I think will happen every time if you will leave people alone. The Arbuckles got good advice and under that

advice bought some few shares of stock of the Worcester Spice Co., which was the company in which the American Sugar Refining Co. was interested, and there was all sorts of fights in Ohio, and we had very able counsel, the American Sugar Refining Co. had, in Ohio, and I remember one of those gentlemen came to see me about some procedure in the history of the fight.

Mr. MADISON. That is interesting, but I am encroaching upon the time of the other gentlemen.

Mr. PARSONS. It resulted in nothing. That was the end of it.

Mr. MADISON. It did result, as a matter of fact, in the war ceasing and after that time a general level of price was maintained between you and the Arbuckles.

Mr. PARSONS. I do not think there was a level of price maintained at all. I think it was just about as it looked.

Mr. MADISON. But as a matter of fact, the general level has been maintained as a fact, whether by agreement or otherwise. Since that time there has been no ruinous competition, at least between you.

Mr. PARSONS. I can only surmise that that is so; I do not know.

Mr. MADISON. Of course, if they did not, and if that was not the result of the fight, the fight would still be on.

Mr. PARSONS. I think the fight is still on.

Mr. MADISON. I am glad to learn it, because there are so many people who are consuming sugar that have not as yet received any physical demonstration of it.

Mr. PARSONS. Why are two armies against each other? Does a fight mean they are actually shooting at each other, or just ready?

Mr. GARRETT. The innocent bystander is now getting hit. [Laughter.]

Mr. PARSONS. The innocent bystander is the fellow whose sugar is reduced to nothing, and who buys his sugar without paying for it.

Mr. MADISON. It is a fact that during the time of the Arbuckle sugar war, the general price of sugar was lower than it was when the condition of peace came, and it is a fact, as shown by the record, that the margin between refined and raw sugar was much smaller then than it has been since that time. That is true, is it not?

Mr. PARSONS. I do not know; I do not know anything about that.

Mr. MADISON. The records show that. I shall not take any further time on that, however.

Testimony was given here the other day to the effect that Mr. Atkins was performing a labor, perhaps not of love, but, no doubt, a patriotic service, and we were impressed with the service that Mr. Atkins is rendering, and the fact that he has so very much interest in the American Sugar Refining Co. He has some stock in it and his neighbors are interested. At the present time he is working like the father of his country did, without salary. Do you know of any reason why he should do that? We want to get all these facts. I will make a suggestion, and it is right along the line of our inquiry: Is Mr. Atkins interested in Cuban sugar lands?

Mr. PARSONS. I know nothing upon the subject.

Mr. MADISON. You do not know about that?

Mr. PARSONS. Nothing whatever.

Mr. MADISON. Do you know any reason why he should be working at the present time without pay?

Mr. PARSONS. I do not know of any reason.

Mr. MADISON. Do you have any inference which you can reasonably draw from facts within your knowledge?

Mr. PARSONS. I do not care to testify to inferences or guesses or surmises.

Mr. MADISON. I did not ask for any inferences that were mere guesses. I only ask for inferences that are based upon fact and are logical deductions. I want to say this: This is a committee of investigation. We are not held down to strict rules of evidence, because a suggestion which comes by hearsay from a witness may lead to a line that will develop important facts.

Mr. PARSONS. Judge Madison, I have no knowledge and I have no information upon the subject. I have nothing upon which even an opinion could be based.

Mr. MADISON. During the time you were connected with the American Sugar Refining Co. it was prosecuted for receiving railroad rebates, was it not?

Mr. PARSONS. Prosecuted, yes. It was sued.

Mr. MADISON. It plead guilty, did it not, to receiving railroad rebates?

Mr. PARSONS. I could not answer that yes. I can tell you what occurred.

Mr. MADISON. Answer the question whether or not it plead guilty to receiving railroad rebates?

Mr. PARSONS. There was a settlement, but what form that took so far as the indictments are concerned perhaps I do not just remember, but I can tell the transaction.

Mr. MADISON. Did you represent the company in that matter?

Mr. PARSONS. I did—that is, I did with associated counsel.

Mr. MADISON. Just briefly give the story, just as briefly as you can.

Mr. PARSONS. The American Co. was sued for having received rebates, and the time was immediately after the passage of the Elkins amendment to the interstate-commerce law. It turned out that there was an Edgar transaction. I think that has been testified to here. The details of it I do not recall, but I think that under some either correct or incorrect idea of the law, and some theory in regard to a particular transaction which involved water and railroad navigation, there was a question whether that did not come within the Elkins law. Back of that were cases where the American Co. had received payment—if you call them rebates—which were the results of satisfactory arrangements that were perfectly legal prior to the Elkins amendment; but the payment coming subsequently, upon that state of facts the Government brought a suit which came to be tried before Judge Holt. The American Co. was represented by able counsel—Judge Alton B. Parker and Mr. Choate. I was there and associated with them, and we all were of the most persistent opinion that receiving money that was due when it was lawful after a law had been passed did not justify the prosecution. Judge Holt held otherwise, and held that the receipt of the money was part of the transaction, and if that came after the passage of the Elkins law it brought the company within the purview of the law. Thereupon there was a direction of a verdict and a fine. I think the fine was $18,000. Then, there were seven other cases, as I recall it, and the total amount received by the company subsequent to the passage of the Elkins

amendment was, if my memory serves me correctly, $626. I think the amount was less than $90 in each case, and those amounts had been received in different places before it became recognized that the Elkins amendment applied.

Now, Judge Madison, I believe there was a most earnest wish on the part of the company and its subordinates the moment it was known about the working of the Elkins amendment to comply, but there were these cases where money had been earned previously and the payment came afterwards, and the question was whether they were within that law. Under those circumstances I learned—I do not remember how—that the Government had said, "We will settle if you will pay $150,000." I protested. There were a great many considerations—I do not remember exactly what they were—bearing upon the matter; but I insisted upon the position that I did not believe there was any liability in those cases. None the less, I was instructed to bring about a settlement, and the outcome was that for those seven transactions, involving, as I think, $626, there was a fine of $70,000, but not with my consent and not with my acquiescence, as I do not believe anybody gains by that sort of use of legislation of Congress.

That situation continued along until the $29,000,000 fine in the case of the Standard Oil. I have always believed that it was fortunate for the general interest that there was that $29,000,000 fine, because it was carrying to an extreme this, what I call, vicious legislation. But the misfortune of the $29,000,000 situation was to confirm the judgment of Judge Holt, under which payment, after the law came into effect, was part of the transaction and therefore exposed to liability.

Mr. MADISON. Mr. Parsons, in running through the books of the company, Judge Raker and I found the resolution which was referred to here in 1892 which referred to campaign contributions, wherein it was stated, in effect, that both parties had solicited campaign contributions in 1892. The word "both" is not used. The word "each" is used. Were you present when Mr. Havemeyer made his statement at that time to the board of directors with regard to that matter, when this resolution was passed?

Mr. PARSONS. If the minutes say so, yes; otherwise, no.

Mr. MADISON. Do you remember it as a fact?

Mr. PARSONS. Oh, no.

Mr. MADISON. Do you know, from any means of information which you may have had, what Mr. Havemeyer did state at that time about the necessity of protecting the company against injurious litigation and other matters, and that both parties, or each of the parties, had asked for contributions?

Mr. PARSONS. I can guess. I can give you my opinion, and I think that it is probably accurate; but I can not state it as a matter of knowledge.

Mr. MADISON. State what you heard with regard to it as given to you by your associates at the time.

Mr. PARSONS. I remember at one time there arose a question whether the company could make campaign contributions, and I think I was asked whether a corporation could make campaign contributions. That was at a time when there was no law against it, and the only question was whether there was a right of the board to use the money of the stockholders for campaign contributions. I was of

the opinion that for legitimate purposes, yes. I was of the opinion that if the company, meaning the stockholders of the company, were concerned in the question of whether there should be a tariff House of Representatives or adverse to tariff, it was the right of those shareholders of the company to do what they as individuals would do, much as I would deprecate campaign contributions from a corporation.

I have a sort of indistinct recollection that I did say, and I myself questioned the right of the board of directors to use money in that way, and I can see by reading that resolution—and I do not think I ever had anything to do with it and I think I should not have recalled anything about it except as it was read—I can say there seems to have been the question of whether, if the company were being persecuted by either or both parties unfairly, the board would be justified in making a contribution to campaign expenses. I do not believe anything ever came from it, because all I know is that I persistently, from the beginning to end, stood against yielding, whether the persecution came from one political party or the other.

Mr. MADISON. Do you know whether or not—and I will ask you whether or not you know it directly or by hearsay—in 1892 the company did make a contribution to either of the political parties, either directly or indirectly?

Mr. PARSONS. I never have known of but one case where the company made a political contribution. What may have been done by the company through others I do not know; but I have no knowledge of a political contribution except in one case.

Mr. MADISON. I will ask you about what that was, but I want to know now as to the 1892 matter.

Mr. PARSONS. I can do nothing in the way of adding to what I have said. The rest you can draw conclusions about, just as I have.

Mr. MADISON. Did you ever hear Havemeyer say, or anybody say, whether or not any campaign contributions were paid that year to either of the parties?

Mr. PARSONS. I never heard him say so, so far as I can recall. I never heard anybody say so, so far as I can recall. I am very clear that whatever the suggestion was, from one or the other, for campaign contributions, any such suggestion as is in that resolution would only continue to confirm me in my determination that under those circumstances I never would participate in a campaign contribution.

Mr. MADISON. I will ask you if you knew of anybody soliciting campaign contributions at that time?

Mr. PARSONS. No.

Mr. MADISON. Did you ever hear from a reliable source, from people connected with your company, as to whether or not either of the political parties in 1892 solicited any campaign contributions?

Mr. PARSONS. Here is one thing: I have not any doubt that both political parties wanted from the sugar company and from every other corporation and individual to get all the money they could for campaign purposes.

Mr. MADISON. Has that been your experience? Is that true that each of the political parties has solicited campaign contributions from you?

Mr. PARSONS. I have no knowledge on the subject. There are certain facts which are historical. How do political parties live

but by campaign contributions? It is perfectly legitimate for legitimate purposes. Do not think I am intimating anything against the system of supporting a political campaign. I have contributed money, and I wish it was in my pocket at the present time, individually.

Mr. MADISON. To both the political parties?

Mr. PARSONS. That depends upon what the platform was at the particular time. I am an outsider and I am ready to go for the best, and if your party can give it to me I will go to the best, whatever my relations to your party may be; and if the other party gives it to me, am for the other party. I am for the best thing in the interest of the country.

Mr. MADISON. As the platforms have varied in accordance with your ideas, you have contributed to each?

Mr. PARSONS. I have contributed on occasions. I would not say I have always contributed. I was a member of the Parker committee and I was earnestly in hope that Judge Alton B. Parker, an able and upright man, should become President of the United States. The campaign would not run itself and I was glad to contribute. Why not?

Mr. MADISON. I am not criticizing the matter; I am only asking for the fact.

Mr. PARSONS. That is the fact.

Mr. MADISON. You also contributed to the Republican Party at times when their platforms and candidates met with your approval?

Mr. PARSONS. That is a personal equation. I have a son who does not agree with me and I do not agree with him. I am the father of my son and he is the son of his father, but I did not think he might, in the House of Representatives, be a better fellow than some other fellow, and for that reason, and from family and personal considerations, I have been willing to help his personal campaign. Am I to be condemned for that?

Mr. MADISON. Criticisms are not being offered by the committee.

Mr. PARSONS. I think I will say nothing about political contributions.

Mr. MADISON. But you did state a moment ago you knew about one political contribution.

Mr. PARSONS. I knew of but one.

Mr. MADISON. And whoever it may have been or whatever it may have been, we want to get all the facts.

Mr. PARSONS. I do not care to answer about that. I know of only that case.

Mr. MADISON. You may state what it was.

Mr. PARSONS. I do not care to do so.

Mr. MADISON. I think it ought to be answered, Mr. Chairman.

The CHAIRMAN. Yes; it seems to me it is proper. We were instructed to examine into the matter.

Mr. PARSONS. My recollection is—about the year I can not recall, and about the particular campaign I can not recall, but I think it was the Harrison campaign, when there was made a contribution to the Republican party of $10,000.

Mr. MADISON. By the American Sugar Refining Co.?

Mr. PARSONS. By the American Sugar Refining Co.

Mr. MADISON. That was in 1892?

Mr. PARSONS. I can not remember when it was.
Mr. MADISON. Or in 1888? Was that it?
Mr. PARSONS. I can not remember the date.
Mr. GARRETT. The American Sugar Refining Co. did not exist in 1888.
Mr. MADISON. No; but the Sugar Refineries Co. did. Do you remember whether it was the first or second Harrison campaign?
Mr. PARSONS. I can not remember that. I only associate it with the Harrison campaign.
Mr. HARRISON. Do you remember who was chairman of the Republican central committee at that time?
Mr. PARSONS. I do not.
Mr. MADISON. Whether it was Mr. Clay or Mr. Carter?
Mr. PARSONS. I do not remember it.
Mr. MADISON. Do you remember to whom the money was paid?
Mr. PARSONS. To the treasurer of the Republican central committee, if that is the name, as I suppose.
Mr. MADISON. Who was he?
Mr. PARSONS. Was a Mr. Armour ever treasurer?
Mr. MADISON. I do not know; I never heard of the man.
Mr. PARSONS. That would rather be it, in my mind.
Mr. MADISON. Do you know of any other political contributions that were made by the American Sugar Refining Co., either directly or indirectly, beside the one you have just testified to?
Mr. PARSONS. I do not.
Mr. MADISON. You do not know of any others?
Mr. PARSONS. I do not know of any others. I know that the matter was mentioned, and I have a sort of memory that just comes back to me on the subject that there may have been a difference of opinion. I think the one man who could give information on that was Mr. John E. Searles, because he was at that time treasurer, and I know he rather interested himself in such things. I remember he used to go to Washington.
Mr. MADISON. We must all pause at the portal of the grave.
Mr. PARSONS. Unfortunately, he lived to be over 80 years of age, and then, as you or somebody else said, death claimed his own. I do not think that the mere fact of death makes very much difference in its application to this organization, because when people die somebody comes along afterwards.
Mr. MADISON. There are a number of other interesting matters connected with the work of this corporation which I would like to go through, but it is not fair to my colleagues. That is all, Mr. Chairman.
Mr. RAKER. I have just one or two questions, if you please, Mr. Chairman.
The CHAIRMAN. Very well, Judge Raker.
Mr. RAKER. How long did you know Mr. Havemeyer before the American Sugar Refining Co. was organized in 1887?
Mr. PARSONS. I have testified my acquaintance began with him in 1873.
Mr. RAKER. Were you his attorney in 1887?
Mr. PARSONS. Yes, in respect of his personal matters.
Mr. RAKER. And his corporate matters as well?
Mr. PARSONS. Only in special cases.

Mr. RAKER. Employed by corporations in which he was interested?

Mr. PARSONS. I do not remember any such case except that of the American Co.

Mr. RAKER. You had a high opinion of Mr. Havemeyer's word?

Mr. PARSONS. I would take his word for anything.

Mr. RAKER. And when he stated a thing, you believed it to be so?

Mr. PARSONS. Absolutely. If your question implies this—whether, if he desired an answer from me, he told me anything that was not in the question involved, probably not. When Mr. Havemeyer made a statement to me, I believed it always.

Mr. RAKER. That was his way in testifying and talking—but testifying in particular?

Mr. PARSONS. He testified right to the point.

Mr. RAKER. And if he testified, you would believe he would testify to the truth?

Mr. PARSONS. Certainly. If he did not testify, I would believe it.

Mr. RAKER. What do you think of this as coming from Mr. Havemeyer?—

Q. When you sell in this country, you control the price?—A. Yes, sir.

Q. And it was organized, as I understand it, with a view of controlling the price and output to the people of this country?—A. That was one of the objects of consolidation.

Q. And you have succeeded in doing it?—A. Yes, sir.

Q. That was the principal object in organizing the American Sugar Refining Co.?—A. It may be said that was the principal object.

You said if Mr. Havemeyer thus testified, it would be true?

Mr. PARSONS. If he gave that testimony, he stated what he thought, and what he said he believed to be true, and I believe what he said—not as my judgment, but as my belief as to anything that he would say.

Mr. RAKER. Mr. Havemeyer being president of the corporation——

Mr. PARSONS (interposing). He was.

Mr. RAKER. And being practically the father of this organization, and stating that the corporation was organized for the purpose of controlling the price and the output, you would say that, then, was the object and purpose of the corporation?

Mr. PARSONS. Not speaking for myself.

Mr. RAKER. If Mr. Havemeyer, being the president and being the originator, and being the man that conceived the idea, testified that that was the purpose of the organization of the company, and testified that when it was fresh in his mind——

Mr. PARSONS (interposing). I can not accept your——

Mr. RAKER (interposing). You now would be willing to state he was testifying about what he believed and as he conceived to be the purpose, and that that was the purpose of the corporation.

Mr. PARSONS. I believe when he gave that testimony he testified according to what he understood to be the truth.

Mr. RAKER. You do not answer my question.

Mr. PARSONS. Because I am not willing to substitute my opinion for his, or to accept your preamble.

Mr. CRAWFORD. What is the date of that? Give him the date.

Mr. RAKER. I will get to that in just a moment.

If Mr. Havemeyer testified that that was the main object and the main purpose of the incorporation, you would believe that it was true, would you not?

Mr. PARSONS. I would believe that he believed it was true. That is all I can say. Don't you see this is not like asking whether a person was met on a particular day, and one person says yes and the other person says no. This is a question of judgment.

Mr. RAKER. If he believed it was true——

Mr. PARSONS (interposing). I think he did believe it was true, and that would greatly influence my opinion.

Mr. RAKER. And the testimony shows that he controlled the situation by virtue of his dominating policy and great character and personnel; and if that is so, then as a matter of fact, it did have that effect?

Mr. PARSONS. He never controlled me or dominated me, or dominated anybody else I know of.

Mr. RAKER. Then, your statement would be that the testimony given by practically all the witnesses that he did thus control and domineer and dominate would not be a fact?

Mr. PARSONS. I do not know what all the witnesses have testified to.

Mr. RAKER. If they did?

Mr. PARSONS. I can not testify.

Mr. RAKER. But you can answer a hypothetical question. If they testified that way, then that testimony would not be a fact?

Mr. PARSONS. I will not testify in answer to a hypothesis unless I know the hypothesis is justified, on a question of whether I believe what is said by somebody or not.

Mr. RAKER. You can answer that question just like you have asked a hundred or a thousand times of witnesses upon the stand—if the conditions are so and so and so, then the result would be so and so. Is not that right?

Mr. PARSONS. If the conditions were so and so and so and they lead to such a result, the result would be so and so.

Mr. CRAWFORD. What was the date of that testimony, Mr. Raker?

Mr. RAKER. It was supposed to be given the 5th day of February, 1897.

Mr. PARSONS. Where was that?

The CHAIRMAN. That was before the Lexow committee.

Mr. RAKER. That testimony was given before the Ways and Means Committee of the House. This is a reprint, and the questions were put to him as being answered before the committee, and Senator Allen was questioning him.

If the witnesses did testify that Mr. Havemeyer did dominate and did control the corporation and did not consult with the directors—and he stated that the purpose and object of forming the corporation was to control the price as well as the output—you would say that he testified to the truth, would you not?

Mr. PARSONS. I can not accept the statement that Mr. Havemeyer dominated the company or dominated the board. He never dominated me, and I do not believe he ever dominated any of the other important men who were there.

Mr. RAKER. Then, if Mr. Heike and the other witnesses testified that he did dominate the board, their testimony would not be a fact, would it?

Mr. PARSONS. I think they are mistaken if they say so.

Mr. RAKER. Then, they were mistaken?

Mr. PARSONS. I think if any gentleman has said he was dominated by Mr. Havemeyer I will accept his statement that he, that particular person, was dominated; but if he says that I was dominated, then he tells what is not so.

Mr. RAKER. You would qualify by stating that the other fellow was dominated?

Mr. PARSONS. If he says so. I might believe it or might not believe it.

Mr. RAKER. I understand you would not agree to this statement——

Mr. PARSONS (interposing). About domination? No.

Mr. RAKER. No; I am going on to another matter—the matter as to the effect of the act of 1891.

Mr. PARSONS. I have not any doubt whatever and I have tried to make it plain that there must have been in the organization the question of the operation of the price. I have not any doubt whatever that if it had been thought that by raising the price, it was wise to do that, that the company ought to have considered that, but I think the factors considered were the factors that I am willing to give you if you want to hear them.

Mr. RAKER. What were they?

Mr. PARSONS. Economy of administration; control of refineries in various points, so as to be in touch with consumption; the benefit of the combination of the best ability for the transaction of the business; the possibility of eliminating a particular refinery which could only be run at a disadvantage and concentrating upon refineries which could be run to advantage; the benefit of giving to the united interests the most important skill and best ability and the best knowledge of the situation which existed in the general interest.

Mr. RAKER. That you have——

Mr. PARSONS. There are other considerations, if I may state them.

Mr. RAKER. Go ahead.

Mr. PARSONS. You have heard them talk about failures during the preceding 20 years—avoiding that would be another consideration. Every once in a while, prior to the organization, according to the history which was communicated to me, a refinery might burn; and if one big refinery burned then all the other fellows took advantage of the reduction of capacity to put up prices; and here was an opportunity of combining in their interests so that if that happened the other refineries could carry on the business in an even and rational way, and the ultimate outcome corresponded with what I believe to have been the purpose, and that was that this company became a company in which it was safe for the American people to put their money as an investment; and there came a time, as you know, when it became an important investment corporation.

Mr. RAKER. Then, as I understand you from your answer, by this organization and the method and manner of its organizing, it would give it the power of controlling the business in any particular State, in output and in price?

Mr. PARSONS. If you think that I said so——

Mr. RAKER (interposing). I am asking you.

Mr. PARSONS. Oh, no; I have tried all through this examination to say otherwise.

Mr. RAKER. You can answer that question, yes or no, can you not?

Mr. PARSONS. If you ask whether that is my opinion, I say no.

Mr. RAKER. They had no control, then, of that particular matter?

Mr. PARSONS. I do not think so. You or anybody could go to that particular State and do the business if you wished. You could do that. How could they control it?

Mr. RAKER. It had the effect of shutting up the factories in various places that were running, didn't it?

Mr. PARSONS. Possibly.

Mr. RAKER. It had the effect of closing down some of the best factories that were in existence before the combination, did it not?

Mr. PARSONS. Not so far as I know.

Mr. RAKER. It closed down the Watsonville Sugar Refinery afterwards, did it not?

Mr. PARSONS. I know nothing upon that matter.

Mr. RAKER. It closed up the refinery in San Francisco that had been running profitably?

Mr. PARSONS. I have said that about the situation in San Francisco and the beet situation I have no personal knowledge.

Mr. RAKER. But if it had that effect, it then to some extent would control?

Mr. PARSONS. If it would have that effect, then it did have that effect, and that is all I can say.

Mr. RAKER. If it had the effect, it had the effect?

Mr. PARSONS. That is as far as I can go.

Mr. RAKER. And it would leave the other men to draw their own deductions from those facts?

Mr. PARSONS. If that is the proposition, yes. If you ask me about a subject about which I absolutely know nothing, I can not answer, and you are asking what other men would do. How do I know what other men would do? I would like to answer, but don't you see I can not?

Mr. RAKER. I am not saying anything. You are talking and I am keeping still.

Mr. PARSONS. Then I will keep still, and good-bye. [Rising in his seat.]

Mr. RAKER. No; just a moment.

Mr. PARSONS. Oh, I thought you were through.

The CHAIRMAN. No, indeed, Mr. Parsons.

Mr. RAKER. On the question of the effect in the case of the 121 New York, you have given us your opinion that the court passed upon the question only as to whether corporations could enter into partnerships. That is your interpretation of the decision?

Mr. PARSONS. Of the decision; not of what may have been said by the judge.

Mr. RAKER. That is your interpretation of the decision, and, in other words, that is all the court did decide?

Mr. PARSONS. So the court said.

Mr. RAKER. Your opinion was, before that decision, that the arrangement of the various corporations holding the property was not a combination in restraint of trade. Is that right?

Mr. PARSONS. That was my contention.

Mr. RAKER. And it was not so arranged that they could control the output. It was not organized for that purpose?

Mr. PARSONS. It was my contention that it did not violate the common-law rules in reference to restraint of trade or preventing competition.

Mr. RAKER. And that same opinion of yours that you had then has continued on down to the present time?

Mr. PARSONS. Precisely; except as legislation may have created a different situation.

Mr. RAKER. There has not been any legislation materially to affect the act of 1891, has there?

Mr. PARSONS. Not so far as concerns——

Mr. RAKER (interposing). Interstate commerce?

Mr. PARSONS. Not by the Federal Government.

Mr. RAKER. I am talking about that.

Mr. PARSONS. Not so far as I know.

Mr. RAKER. You have considered right along that the American Sugar Refining Co., which was organized at that time after this decision by a different method of handling its property before they issued trust certificates and the corporation was still in existence—that is, the corporations that formed this main body—and after that decision they simply turned over all the property to the main corporation, and one corporation held all the physical property?

Mr. PARSONS. To a new corporation.

Mr. RAKER. Holding it all?

Mr. PARSONS. Not the physical property at the beginning, but the stock at the beginning, and then the stock transferred into physical property.

Mr. RAKER. Originally all the corporations still existed as identities up to 1891?

Mr. PARSONS. It was not a corporation.

Mr. RAKER. All the other corporations?

Mr. PARSONS. Yes.

Mr. RAKER. And this main institution simply held the voting power?

Mr. PARSONS. Held the stock in trust.

Mr. RAKER. Then, when this new corporation was formed, these other corporations were dissolved?

Mr. PARSONS. That came later.

Mr. RAKER. I know it came later.

Mr. PARSONS. There came a time when, so far as the laws of the particular States permitted, the corporations were dissolved and the property actually transferred?

Mr. RAKER. That applied to all of them?

Mr. PARSONS. It did not apply to Pennsylvania.

Mr. RAKER. Did it not apply to all held by the original agreement?

Mr. PARSONS. On that I can not answer; but in the main, yes. New York, yes; New Jersey; yes; Boston, yes.

Mr. RAKER. This change was a simple change of legal conditions? Instead of holding by separate corporations and then the voting power being in a voting body, all the property was turned into one corporation?

Mr. PARSONS. In effect.

Mr. RAKER. But the same policy, the same method of doing business, was continued?

Mr. PARSONS. About that I do not know. As a general proposition, I should think yes.

Mr. RAKER. It had the same purpose—the new corporation—in 1891?

Mr. PARSONS. For aught that I know.

Mr. RAKER. And it practically handled the business in the various States in the same method and in the same way as it handled it before?

Mr. PARSONS. That would be my general inference.

Mr. RAKER. Has there ever been a change in that from the beginning, in 1887, down to the present time that you know of?

Mr. PARSONS. Not of which I know; but if what you have in mind is the details, about the details I know nothing.

Mr. RAKER. I do not want to go into little details. You were a member of the board of directors for a great many years?

Mr. PARSONS. I was a member of the board of directors for a great many years, but that simply meant that on occasion when it was supposed I could be of service by attending a meeting, I was there. As a rule, I was not there.

Mr. RAKER. There was no change in the handling of the business in the various States?

Mr. PARSONS. I understand what you mean. I agree entirely with you. The change from the original so-called trust to the American Sugar Refining Co. was a change in form.

Mr. RAKER. That is right.

Mr. PARSONS. That was a change in form. We promoted and aided and encouraged the North River case after we saw what was to be the effect of it. The effect of it was to be that the court of appeals would tell us what could not be done and what could be done, and after we learned from the court of appeals what was thought about the previous situation, then we learned something; but there was no substantial change. That is what you want to know?

Mr. RAKER. That is what I wanted to know.

Mr. PARSONS. There was no substantial change of which I know.

Mr. RAKER. Your contention is, Mr. Parsons, that the original arrangement was legal under the law, but the court having held that it was illegal, you changed the form?

Mr. PARSONS. I did not change my mind.

Mr. RAKER. I know you did not; that is what I am trying to get in the record; and for your benefit, too. You did not change your mind on that question, did you?

Mr. PARSONS. May I state what the fact was?

Mr. RAKER. Yes.

Mr. PARSONS. I do not believe this was a partnership of corporations.

Mr. RAKER. I know you do not.

Mr. PARSONS. It was a partnership of individuals, but the court said, "It is a partnership of corporations," and referred to some testimony in the record about the North River case in support of that. All I want to say is this——

Mr. RAKER (interposing). After the court had thus held, of course you had to bow to the judgment of the court that it was a partnership and could not then exist.

Mr. PARSONS. I think that only concerned forfeiture of the North River Co.

Mr. RAKER. But it had that effect of changing, did it not?

Mr. PARSONS. The company made up its mind that it could not follow that lead.

Mr. RAKER. From the method of doing business from the beginning, in 1887, up to the time of the decision of the case in New York and the change of the form, and from the change of the form by virtue of that decision until your connection ended, you contended then it was a legitimate way to do business?

Mr. PARSONS. Yes.

Mr. RAKER. And, as I understood from your testimony—and if I am wrong I want you to correct me—you believe that is legal to-day?

Mr. PARSONS. I believe that is legal to-day.

Mr. RAKER. And that the courts to-day have not passed upon that particular subject?

Mr. PARSONS. Oh, I think the court has passed upon it and passed upon it favorable to my contention, in the Knight case.

Mr. RAKER. I see.

Mr. PARSONS. Please remember that in the Knight case was concerned the original organization or acquisition of the Philadelphia refineries, and the whole subject was before the Supreme Court of the United States when it made its decision and the companies acted upon it. I do not believe the Government has any right to go back on it.

Mr. RAKER. Is it not a fact that in the Knight case, the case really went off upon the proposition that there was no evidence before the court that the Knight Co. was engaged in interstate commerce, and that really as a matter of fact the decision covered that point, and not the question of——

Mr. PARSONS (interposing). The court said that being a manufacturing corporation to distribute its product to other States was not interstate commerce. That is, the business is a local manufactory. That is the doctrine for which we contended and for which I stand now, and it is to the interest of the country that the Knight case shall be the law and business shall pursue its ordinary channels.

Mr. RAKER. And that is the same position you take to-day?

Mr. PARSONS. Now, I am out of it. I am giving attention to other matters.

Mr. RAKER. Up until the time your connection with the company ceased?

Mr. PARSONS. Oh, yes. As a lawyer always, and as an American citizen always, and as a witness before this committee now, as emphatically as I can say it, yes.

Mr. RAKER. The organization had the effect, did it not, of giving the American Sugar Refining Co. an interest in Michigan?

Mr. PARSONS. Do you refer to beets?

Mr. RAKER. Yes.

Mr. PARSONS. I have said that about the beet situation in Michigan I have never had any knowledge.

Mr. RAKER. But you have a general knowledge that they did have an interest?

Mr. PARSONS. Yes.

Mr. RAKER. And they had in Utah and Idaho?

Mr. PARSONS. I have heard the testimony in this investigation.

Mr. RAKER. And in California which took up the cane and beets, too?

Mr. PARSONS. I have told the extent of my knowledge.

Mr. RAKER. And in Louisiana? That is right, is it not?

Mr. PARSONS. I do not happen to remember just what has been testified as to the situation in Louisiana, but I knew something about that situation outside of this testimony.

Mr. RAKER. Do you not know anything about the original taking up and handling of the Louisiana refineries and the handling of their business there at all?

Mr. PARSONS. In a general way; yes.

Mr. RAKER. You knew it as a general condition?

Mr. PARSONS. In a general way; yes.

Mr. RAKER. That took up all the States that handled sugar, raw or refined, or that produced beets and manufactured them into sugar, did it not?

Mr. PARSONS. I have no knowledge on that subject, but I think not. I think New York produces beets.

Mr. RAKER. But to any extent and to manufacture them in any quantity, that is right, is it not?

Mr. PARSONS. I do not think so. I think, as an actual fact or possible fact——

Mr. RAKER (interposing). It has been testified that is the practical effect, and I wanted to then ask you——

Mr. PARSONS (interposing). I know nothing to the contrary.

Mr. RAKER. Would it not be possible for a corporation, organized and existing here in New York, to control the condition of the sugar business in Michigan, if that was the fact? It would be a control from New York and not from Michigan?

Mr. PARSONS. I would not think so.

Mr. RAKER. Wouldn't it apply the same to California?

Mr. PARSONS. Not at all. Either State is open to everybody—you, me, everybody.

Mr. RAKER. But I mean this—I mean all who are in the business. As to the business in which the American Sugar Refining Co. is interested, it would practically handle and supervise this business, would it not?

Mr. PARSONS. I am not competent to speak upon the matter, as a matter of fact. I do not think so, as a matter of theory. You can not make me believe that any body of inteligent Americans is going to be controlled by any other body of intelligent Americans if they are in their senses and have some money.

Mr. RAKER. You have come to that conclusion quite definitely, and that is your opinion of the situation?

Mr. PARSONS. I have never had any different opinion. I had it in the beginning, and I will stick to it to the end.

Mr. RAKER. You would not agree to this statement, then:

The combination may not reduce the price to the grower of raw material, may not increase the price charged to consumers, may not seek to exclude all others from the field, may be free from coercion or opposition, and yet if it restricts competition, if it restricts trade, reasonably or unreasonably, it falls within the statute.

That is the act of 1891. You do not believe in that statement, do you?

Mr. PARSONS. That is a complicated question. I can not say yes or no to that.

Mr. RAKER. That is all, Mr. Chairman.

Mr. HINDS. May I ask one question?

The CHAIRMAN. Yes.

Mr. HINDS. Mr. Parsons, in the minutes of the American Sugar Refining Co., under date of March 10, 1894, there is this entry:

Resolved, That all matters pertaining to tariff legislation be and the same are hereby referred to the president, the treasurer, and Mr. John E. Parsons, with full power to take, in their discretion, such action as they may think best for the interest of the company.

May I ask you what action was taken in response to that resolution?

Mr. PARSONS. What I remember is that the whole tariff situation was discussed, and I think I have already said that at some time or other, I assume then, Mr. Searles went to Washington to see what was going on with respect to changes in the tariff laws.

Mr. HINDS. He was the treasurer?

Mr. PARSONS. He was not only the treasurer, but a member of the board, and a very intelligent and capable man.

Mr. HINDS. He was the treasurer referred to in this resolution?

Mr. PARSONS. In 1894? Yes, I think so.

Mr. JACOWAY. May I ask a question or two, Mr. Chairman?

The CHAIRMAN. Yes, sir.

Mr. JACOWAY. You have answered, if I have followed your reasoning—and I know you have given great research to the matter, and while, with respect, I differ with you on many of the conclusions you reach, I would like to have you state to the committee what is your idea of the efficacy of the Sherman antitrust law?

Mr. PARSONS. Mr. Jacoway, if you will tell me what the Sherman antitrust law means, I can answer your question.

Mr. JACOWAY. I know, but I want you to answer that in the light of what you think it means.

Mr. RAKER. If the Sherman antitrust law means what the Government contends for, and what in effect was held by Mr. Justice Lacombe here, that two persons who are competing can not become partners, and in that way prevent competition between themselves, without violating the Sherman antitrust law—if they are selling a barrel of flour across the Hudson River, that is called engaged in interstate commerce—if that is what the Sherman antitrust law means, it is ruin; it means ruin for the industries of this country. I do not think that was what was intended. You have to enforce the Sherman law as the extremists on one side claim, or you have to recognize it as interpreted by the Supreme Court of the United States by reading into it what you and others say is not there—the rule of reason. I think the Sherman law goes upon the idea we are not reasonable beings.

Mr. JACOWAY. You have made a specialty of corporate law all your life, have you not?

Mr. PARSONS. Just the reverse. I have had as little to do with it as possible, because I prefer the individual against corporate clients. If I have an individual client, he and I have the whole situation. I do not want clients where there are 18,000 or 20,000 people to write in and demand this or that and condemn and complain.

Mr. JACOWAY. I have an illustration which I want to present to you to get at your idea of what is "watered stock." For instance, take the Hartford Fire Insurance Co., of this city and this State; the only money that was ever paid in by the stockholders was 10 cents on the dollar. I understand that that stock is worth some $200 at the present time. Your idea of stock that is not watered—in other words, if it would pay a fair dividend or fair return on the amount invested, or bring a fair return to those interested in it, your idea of stock that is not watered is that none of the stock then is water, notwithstanding they have paid but 5 or 10 cents on the dollar for it?

Mr. PARSONS. In a general way, yes; of course with certain qualifications. You may easily exaggerate earning capacity or undervalue it, but it is an important factor to be taken into consideration.

Mr. JACOWAY. That is all, Mr. Chairman.

Mr. PARSONS. I want to say one thing, if I may, upon a subject which has been mentioned here—publicity; and it comes right down to what I have said, that my idea upon this subject is in the action that was taken by the stockholders at a meeting from which something has been read, and I hope that that action will form a part of your proceedings.

The CHAIRMAN. That is in the record already.

Mr. PARSONS. Because if to-day—I am no longer on the board—an individual came to the board or its officers and said, "I want to see into your internal affairs," and the board permitted, if I had my chance, I would turn the board out. Then there is this other fact: We were periodically—and when I say "we" I mean the American Sugar Refining Co.—met at annual meetings by the suggestion or movement for information, and we were on occasions sued in New Jersey because we did not give information, and it was always for some purpose injurious to the stockholders, and it was, if my memory serves me correctly, in order to tell the court what the stockholders wished that that action was taken, and the result was it stopped that litigation.

Mr. JACOWAY. That is all, Mr. Chairman.

Mr. CHAIRMAN. Mr. Parsons, we are going to let you off as we have promised, although I very much regret that I can not carry out in full the examination which I had hoped to go through.

Do not regard this question as impertinent from a personal standpoint, because it is not. There are grave reasons of a public character that make it necessary for us to submit these questions to you. Tell us the present extent of your holdings in the American Sugar Refining Co.—substantially, I mean, but not literally.

Mr. PARSONS. I rather remonstrate against such an inquiry. If you will tell me any public interest is concerned, I will answer; otherwise not.

The CHAIRMAN. It is concerned to this extent—and I will modify the question to this extent, because I recognize the propriety if you occupied a position only as a private citizen who had invested, although even from that standpoint the evidence would be pertinent, because it affects the question, as I see it, and the questions may bear upon the interest of the witness—not for the purpose of impeaching him at all, but every man who has given the subject any consideration will appreciate the standpoint of the question.

As I understood your testimony up to this point, most of this holding is the result of professional compensation?

Mr. PARSONS. The whole of it.

The CHAIRMAN. For that reason I must rule that it is pertinent as affecting the question.

Mr. PARSONS. I received at the beginning, as I have said, compensation in what has been denominated to be here water.

The CHAIRMAN. That was for organizing the Sugar Refineries Co., $250,000 in par value?

Mr. PARSONS. Yes; but that does not represent what I thought I was entitled to. I thought I was entitled to reasonable pay for several years services. That went through several years, but in the end I was better off than if I had had what I wished.

The CHAIRMAN. When the American Sugar Refining Co. was organized to succeed the Sugar Refineries Co., what compensation did you get for that work?

Mr. PARSONS. I do not remember anything about that.

The CHAIRMAN. There is some statement in the minutes that it is $70,000.

Mr. PARSONS. I could give you no information on the subject.

The CHAIRMAN. The minutes will probably state that correctly?

Mr. PARSONS. What do the minutes say? If I were present, I would, of course——

The CHAIRMAN (interposing). I presume the statement of the minutes as to the amount allowed for that service is correct, and there is some statement to that effect. My recollection is it is something like $70,000.

Mr. PARSONS. I have no recollection on the subject, but I know there are circumstances, if you take the whole of that situation and the successful launching of a $50,000,000 corporation, that would make that a reasonable compensation.

The CHAIRMAN. It might be. As a result of that professional service at various times, I suppose you got an annual salary besides this stock?

Mr. PARSONS. That is what I did get. I got annual compensation from beginning to end.

The CHAIRMAN. In cash?

Mr. PARSONS. In cash.

The CHAIRMAN. Besides that, how much stock have you finally wound up with in this corporation?

Mr. PARSONS. Do you wish to know how much I got by way of annual compensation?

The CHAIRMAN. Yes; you may tell us that.

Mr. PARSONS. Because I have been credited with receiving amounts I would like to have in my pocket.

The CHAIRMAN. Suppose you tell us what your annual salary was?

Mr. PARSONS. My annual salary was about one-half of what I should have had. It netted perhaps $8,000 or $10,000 a year. It was not myself; it was my successive firms that got that, and we were practically the law department of this great corporation, and paid our rent and paid our clerk hire, and you know about what was left to me. I would have received very much larger compensation but for the reasons I have stated.

The CHAIRMAN. Just to refresh your memory, I read from the minutes of a meeting of the board of directors of the American Sugar Refining Co. on January 16, 1891:

The president presented a communication from Mr. Parsons relating to the expenses of reorganization, and on motion the treasurer was directed to pay the amount in accordance with the statements named, $77,250, and also to pay Messrs. Kidder, Peabody & Co. the amount due them under the resolution, $250,000.

Mr. PARSONS. Are you assuming that I got that $77,000? I wish I had.

The CHAIRMAN. Did you remember what the amount was under that reorganization?

Mr. PARSONS. No; I do not; but I remember there were a large number of counsel concerned and very valuable services rendered, and in the end they all sent their bills, and I sent them to the company, and if that says that was the amount—I wish I had gotten it, but I did not.

The CHAIRMAN. Have you any idea what amount your firm did get?

Mr. PARSONS. I have not at the present time. I am rather surprised to be informed that all the important lawyers concerned received only such a total as that sum.

The CHAIRMAN. Who were Kidder, Peabody & Co.?

Mr. PARSONS. They are bankers of Boston. What they did I do not know.

The CHAIRMAN. That was their commission for something?

Mr. PARSONS. I do not know anything about it.

The CHAIRMAN. You do not know what they did?

Mr. PARSONS. I do not know anything about it.

The CHAIRMAN. You do not recall it?

Mr. PARSONS. No.

The CHAIRMAN. Tell me in a general way what your stock holdings are as the result of professional services rendered at various times to this corporation?

Mr. PARSONS. I understand the committtee instructs me to answer?

The CHAIRMAN. Yes, sir.

Mr. PARSONS. I hold at the present time 240 shares of preferred and 240 shares of common.

The CHAIRMAN. I will put the question differently. How much have you received in all in stock?

Mr. PARSONS. You have heard how much I have received——

The CHAIRMAN (interposing). Was that all you ever got in stock?

Mr. PARSONS. Yes. It was what has been called "water."

The CHAIRMAN. At no other time did you receive any stock compensation for your services?

Mr. PARSONS. Nothing I remember, and I am very sure I never did.

The CHAIRMAN. There is a statement in the bill, and it has been testified to by another witness, that you received 4,000 shares of National common stock when that company was organized for some sort of service.

Mr. PARSONS. I testified at length in regard to that this morning.

The CHAIRMAN. Did you ever have that common stock?

Mr. PARSONS. Never to my recollection.

The CHAIRMAN. Did you ever sell it back to Mr. Havemeyer?

Mr. PARSONS. I do not know how he regarded it. Eventually I did receive 1,000 shares of preferred stock of the National Co.

The CHAIRMAN. Did you pay money for that or render services?

Mr. PARSONS. It was the compensation to my firm and to myself for services and for my contribution in bringing about that transaction.

The CHAIRMAN. In other words, a contribution in services rather than in money?

Mr. PARSONS. I made available to Mr. Havemeyer, if it had been used—Mr. Havemeyer and Mr. Post and the rest of them—what I could put up.

The CHAIRMAN. My colleague directs my attention to this part of the minutes of the board of directors of the American Sugar Refining Co. on Tuesday, March 22, 1892:

Present: Messrs. H. O. Havemeyer, T. A. Havemeyer, Searles, James B. Thomas, and George C. Magoon.

Apparently, you were not present. This resolution was passed:

A further communication was received from Mr. Parsons, containing a bill of Parsons, Shepard & Ogden for services, $40,000, and John E. Parsons for special services in connection with Franklin refinery, $50,000. On motion, the treasurer was authorized to pay the amounts named.

Were those paid?

Mr. PARSONS. I think very likely.

The CHAIRMAN. In cash?

Mr. PARSONS. Oh, yes.

The CHAIRMAN. There is one transaction that no member of this committee has yet touched upon, that you must have very intimate knowledge of. I will touch on it in a way that I hope will not be embarrassing to you. It is about this Franklin Sugar Refining Co. in Pennsylvania. Are you under indictment in connection with the transaction yourself?

Mr. PARSONS. The American Sugar Refining Co., its board of directors, and I, as a lawyer and director, are under indictment.

The CHAIRMAN. Here in the circuit court?

Mr. PARSONS. Here in the circuit court, yes, at the instigation of the Government of the United States of America.

The CHAIRMAN. And that prosecution is now pending?

Mr. PARSONS. It has been pending for two years.

The CHAIRMAN. Of course every member of this committee recognized, and we have recognized it with every witness, the question of propriety that hedges about our own line of conduct and the rule of protection that the United States Constitution throws about its citizens when they are charged with crime, and we will not ask any questions about that matter, although it is a question in which we have been intensely interested; but if you care to volunteer any information, I will be very glad to have you do it.

Mr. PARSONS. I have been instructed by the company that what I know in regard to that matter is in my capacity as a lawyer dealing with a client, and I am not at liberty to speak, and therefore I must abstain from saying anything.

The CHAIRMAN. Even if we did not agree, the reason you put it on is good; we will not press it.

Now about this matter of capitalization. I am reading now from a report that has been furnished to this committee in reference to the capitalization of this original Sugar Refineries Co. in 1887.

Mr. PARSONS. $50,000,000.

The CHAIRMAN. It was capitalized originally at $50,000,000?

Mr. PARSONS. Yes.

The CHAIRMAN. $25,000,000 common and $25,000,000 preferred?

Mr. PARSONS. Precisely.

The CHAIRMAN. I find this statement is made, and we have had some evidence in our record that corroborates it—that the capital of the 17 companies that went into it was $6,590,000. Do you know whether that is right or not?

Mr. PARSONS. I do not know whether it is right or not, but the capital of the constituent companies had not any relation to value.

The CHAIRMAN. No relation to value?

Mr. PARSONS. Absolutely no relation to value. May I say this—that those were mainly partnerships or family organizations, and they were merely incorporated for convenience, and the small capital at which they were incorporated had reference to the matter of taxation. Am I not right about that, Mr. Malby?

Mr. MALBY. Absolutely so.

The CHAIRMAN. I call your attention to the fact that in 1897 Mr. John E. Searles, now dead, and we can not therefore get his testimony now, and I do not know whether we will get it hereafter or not——

Mr. PARSONS. I have great confidence in the powers of a congressional committee. [Laughter.]

The CHAIRMAN. Mr. Searles testified in 1897 that the properties coming to the trust were valued on the basis of their earning capacity at that time. That is correct, is it not?

Mr. PARSONS. That was one of the factors.

The CHAIRMAN. He testified that was the way it was determined. Would he know?

Mr. PARSONS. I would accept his testimony as to a matter of fact. As to a matter of opinion——

The CHAIRMAN (interposing). As I understand it, this was not his opinion, whether the valuation was too much or not, but his testimony as to the fact as to how the valuation was arrived at.

Mr. PARSONS. Did he ignore the fact of the bricks and mortar? The whole thing was taken into view.

The CHAIRMAN. Their value was taken into view as going concerns?

Mr. PARSONS. Yes.

The CHAIRMAN. And among them at that time were many in a bankrupt condition or almost so.

Mr. PARSONS. I only know what has been testified to by Mr. Oxnard. I saw him shake his head. You can not make me believe Mr. Atkins was in a bankrupt condition at that time.

The CHAIRMAN. No; but he said his company had not paid dividends in many years.

Mr. PARSONS. I can understand that, too. To pay dividends you have to know how to conduct the business.

The CHAIRMAN. Do you think he did not know how to do it?

Mr. PARSONS. Apparently not.

The CHAIRMAN. Was it cutthroat competition that rendered this——

Mr. PARSONS. I do not know anything about it. What I know is that the men in touch with whom I was—Capt. Thomas, the father of Mr. Washington Thomas, and Searles, and the two Havemeyers, and so on—were getting dividends. Please to understand that this whole plant was the outcome of a successful business.

The CHAIRMAN. Mr. Searles testified before the Lexow committee in 1897, that he bought all the stock of the North River Sugar Refining Co. for $350,000, and immediately thereafter received in exchange therefor $700,000 of trust certificates. Do you regard that as water?

Mr. PARSONS. No; I think that there was a question of whether there was a good bargain or not, and upon that subject I have nothing to say. After that transaction, one or the other of the two who had owned the property, denounced the other because they had let their property go for that price, thinking it was worth so much more.

The CHAIRMAN. It was under condemnation proceedings at that time, was it not, or about that time?

Mr. PARSONS. I can not speak about the dates. I want to answer what I understand you wish to get out. It is in my mind that there were either pending or in prospect condemnation proceedings.

The CHAIRMAN. For park purposes?

Mr. PARSONS. Yes. I can not remember the exact status of that particular moment.

The CHAIRMAN. That affected its value considerably, did it not?

Mr. PARSONS. Which way?

The CHAIRMAN. It could not be considered as a going concern if it was about to be condemned, could it?

Mr. PARSONS. Not a going refinery, but when property is taken it is paid for, and it might be worth a great deal more, not as a going concern, but otherwise.

The CHAIRMAN. How much did the city pay for it, do you know?

Mr. PARSONS. I do not know anything about it.

The CHAIRMAN. Do you remember when the American Co. absorbed the Spreckles plant down in Philadelphia?

Mr. PARSONS. I have said a good many times about that transaction that I know nothing.

The CHAIRMAN. You know nothing whatever about it?

Mr. PARSONS. Nothing whatever. I do not think I heard of it. I may have heard of something about it.

The CHAIRMAN. You were the attorney that advised the company at the organization of the Sugar Refineries Co. and at its reorganization in the form of the American Sugar Refining Co., were you not?

Mr. PARSONS. One of the attorneys.

The CHAIRMAN. The leading counsel?

Mr. PARSONS. When it came to the question of reorganization, as I am reminded by that $77,000 payment, there were important other lawyers concerned. I take the responsibility. In fact, I remember I differed with some of them and stood out for my opinion, and it prevailed.

The CHAIRMAN. You also advised the company in its Philadelphia transactions with all those people that it bought out, did you not?

Mr. PARSONS. Only so far as concerned the Harrison refinery. I went to Philadelphia about that, saw Mr. Harrison, and I was greatly pleased in reading his testimony to see that that was consummated by his giving his word of honor to me and me giving my word of honor to him.

The CHAIRMAN. And you both stuck to it?

Mr. PARSONS. But before we closed, I was referred to Mr. John G. Johnson, so the Harrisons and John G. Johnson were on one side, and the American Co. and myself on the other side.

The CHAIRMAN. You advised about the legal aspects of that transaction?

Mr. PARSONS. I do not think there was any legal question in it.

The CHAIRMAN. As to whether it was in violation of the law?

Mr. PARSONS. I do not think there was in the minds of either Mr. Johnson or myself the question of the Sherman law at that time.

The CHAIRMAN. It soon got in there afterwards?

Mr. PARSONS. Oh, yes; the Government took a hand.

The CHAIRMAN. Did you advise about this Spreckels transaction?

Mr. PARSONS. I do not think I heard of the transaction until after it was consummated, but it was along the same line. Any opinion I had as to the Harrison investment would follow in the Spreckels case.

The CHAIRMAN. You acted as counsel in the matter of rendering a legal opinion or giving legal advice in reference to the National of New Jersey, did you not?

Mr. PARSONS. No; the American Sugar Refining Co. had nothing to do with it.

The CHAIRMAN. For whom did you act as counsel in that matter?

Mr. PARSONS. I merely acted for myself individually, so far as I had an individual interest, and for Mr. Havemeyer and for Mr. Post and whoever the others were.

The CHAIRMAN. You have already said during this examination that in that particular transaction you were careful to consider the legal effect of the Sherman antitrust law.

Mr. PARSONS. Very careful, indeed; because at that time there had been considerable agitation of this question.

The CHAIRMAN. And you advised them on that question in this transaction?

Mr. PARSONS. I did not advise them, because the American Sugar Refining Co. had nothing to do with it.

The CHAIRMAN. I mean the people who did have to do with it?

Mr. PARSONS. I told the people who had to do with the acquisition of these interests that they must not have any arrangement with the American Sugar Refining Co. and that the American Sugar Refining Co. must have nothing to do with it.

The CHAIRMAN. And yet here is what happened: You know intimately, of your own knowledge, the facts of this transaction, do you not?

Mr. PARSONS. What facts do you refer to?

The CHAIRMAN. I will detail them. Mr. Post, acting through B. H. Howell & Co., put up a certain proportion of money to get these three or four refineries combined into the National, did he not?

Mr. PARSONS. So I have heard.

The CHAIRMAN. That money was furnished by Mr. Havemeyer, was it not?

Mr. PARSONS. Not that I know of. I think Mr. Post said it was his own money.

The CHAIRMAN. Havemeyer assisted in that?

Mr. PARSONS. Havemeyer put up his money, and I know I put up mine. I put up some money, because I thought it was going to go through, but all I got in the end was what I told you.

The CHAIRMAN. How much did you put up?

Mr. PARSONS. I do not remember; whatever I happened to have in the way of securities and cash. It was a substantial amount, and the National got the benefit of it.

The CHAIRMAN. As soon as these people put up the money that went to the constituent companies that formed the National, then these same parties who put up the money to back that stock turned around and sold it to the American Sugar Refining Co. in a short period of time, did they not?

Mr. PARSONS. Not that I know of. The American Sugar Refining Co. purchased 51 per cent of the preferred stock.

The CHAIRMAN. Did they not purchase from those individuals you were working for?

Mr. PARSONS. I do not know from whom they purchased it.

The CHAIRMAN. Did you read Mr. Post's evidence?

Mr. PARSONS. I read it. Whatever he said in regard to that, he knows; I do not.

The CHAIRMAN. How did you get your money back?

Mr. PARSONS. In the end, my money was not used; and there was some change in the situation, and I lost the benefit of the trade.

The CHAIRMAN. What change was there in the situation?

Mr. PARSONS. They did not have occasion to use my money. I went to the country, and I left the situation——

The CHAIRMAN (interposing). With whom did you leave it?

Mr. PEARSON. Never mind, but I left it; never mind who I left it with. I went abroad, my son tells me, and when I came back——

The CHAIRMAN (interposing). You found you did not have a share of the pie?

Mr. PARSONS. Yes, I was out; I was out.

The CHAIRMAN. Except that they gave you 1,000 shares of the preferred for services?

Mr. PARSONS. For services and for what I was ready to do.

The CHAIRMAN. What you were ready to do but did not do?

Mr. PARSONS. My securities were on hand, but do you suppose that I got 1,000 shares? I told you it went to my firm, in a very large measure. There is a great difference between me and my firm.

The CHAIRMAN. When we speak of this question of fees, and when I say "you," I mean your firm.

Mr. PARSONS. It was not a question of fees; it was the whole thing.

The CHAIRMAN. What was your firm doing?

Mr. PARSONS (interposing). The whole firm had to do with that transaction.

The CHAIRMAN. In a minor way?

Mr. PARSONS. Certainly. It involved obtaining a charter from the State of New Jersey, drawing most of the papers, and I do not know what the scale of compensation may be elsewhere, but here I do

not think we got overpaid. I know very well I would not go through the same transaction again on the same terms.

The CHAIRMAN. Did you ever advise the American Sugar Refining Co. that those factor agreements which it had with these grocers and merchants were not in violation of the law?

Mr. CRAWFORD. Wait a moment, Mr. Parsons. On behalf of the American Sugar Refining Co. I must object to the witness testifying as to any advice he gave to the company, as being prohibited by the rule against confidential communications, and which the company alone can waive and does not waive.

The CHAIRMAN. I suppose we are up against this question; we might as well rule on it, although possibly——

Mr. PARSONS (interposing). I never did.

Mr. CRAWFORD. The witness said he never did; so I waive the objection.

The CHAIRMAN. Did you pass on this question at all involved in that matter?

Mr. PARSONS. I have told you everything that occurred in reference to it. When this Wholesale Grocers' Association came to me and I looked at this contract, I read into it what the Supreme Court read into the Tobacco and Standard Oil cases, the rule of reason, and in the opinion I gave. It was the opinion of the Grocers' Association, in which I acquiesced, that there was a transaction in which were interested a very large number of persons, and in my opinion it was absolutely free from any legal prohibitions.

The CHAIRMAN. Did you regard it in the interest of the consumer; the great mass of the people of whom you have been talking?

Mr. PARSONS. The mere question of whether a certain percentage of profit should go to the wholesaler or the retailer was involved.

The CHAIRMAN. The retailer might add another per cent to it.

Mr. PARSONS. For aught I know. I do not know anything about it.

The CHAIRMAN. Is not that an ordinary rule of trade, that each man that handles the product in the process of distribution usually gets a profit?

Mr. PARSONS. I think that was the question. The wholesalers said the retailers were getting it all, and that they thought they ought to have some, and I thought so, too. I said, "All right, this question has been raised, but I will not advise you about it. Go and get your own lawyers."

The CHAIRMAN. In point of fact, you did not advise the American on this subject, and never really advised them?

Mr. PARSONS. I declined to advise them, and told them to go to their own lawyers.

The CHAIRMAN. You told them to submit a new agreement to you?

Mr. PARSONS. They never got to the point of doing that, and I never got to the point of advising the American.

The CHAIRMAN. Did you advise the American in reference to its proceedings in connection with the Cuban-American Sugar Co.?

Mr. PARSONS. Never.

The CHAIRMAN. Did you advise them on the legal aspects of the beet-sugar question?

Mr. PARSONS. I do not remember that any question arose with reference to that.

The CHAIRMAN. As to whether or not it was legal or illegal to acquire the competing beet-sugar companies?

Mr. PARSONS. Never; I do not remember any such.

The CHAIRMAN. You do not remember advising them on that?

Mr. PARSONS. No. I think that was connected with the Denver transaction, and very able lawyers in Denver represented that beet interest, so far as I had anything to do with it. I had nothing to do with the Michigan situation or Utah or Idaho. I never heard of it, so far as Utah and Idaho are concerned. There were very able lawyers in Denver to cover that matter.

The CHAIRMAN. This is a question which is not so much a question of fact; but we have been theorizing a good deal with you. Do you recall ex-President Roosevelt's opinion of the Knight case, publicly expressed?

Mr. PARSONS. I do not.

The CHAIRMAN. You do not remember what it was?

Mr. PARSONS. No. Expressed how—on the platform or in a message or in what way?

The CHAIRMAN. In speeches throughout the country—from the stump, so to speak.

Mr. PARSONS. Did he always express the same opinion? [Laughter.]

The CHAIRMAN. You are a little too hard for me on that question. [Laughter.]

Let us see just how you understand the Knight case ruled in your favor—I mean in favor of the sugar company. Every material question of law that could be involved in this situation, so far as it is affected by the Sherman antitrust law, you said was resolved in your favor. Did you not say that, or what amounted in substance to that?

Mr. PARSONS. Very much that; as a general proposition; yes.

The CHAIRMAN. Of course, the case speaks for itself, and that is another thing we need not argue about. The decision was based on the proposition that the whole thing complained of in a direct way was manufacturing entirely within a State, which was exclusively an intrastate matter, and that the bill of the Government was not based on any combination or plan or plot or agreement, if you please, affecting the interstate commerce, was it not?

Mr. PARSONS. I do not think so. The facts were it was a local factory or refinery for the production of a large amount of sugar, and that it was distributed everywhere, and the mode in which the distributing was done was constituted by reason of the original organization plus the Knight and other companies.

The CHAIRMAN. I think we have been over all the ground, and it is now my pleasure to excuse you, with the thanks of the committee for your attendance and courteous response to the many questions of the committee.

Mr. PARSONS. I want to thank the committee for their courtesy and I want them to understand I am with them in anything which, as the outcome of this, will help the community.

The CHAIRMAN. The committee will take an adjournment until to-morrow morning at 10 o'clock, at which time we will proceed with the examination of Mr. T. A. Spreckels as a witness.

(Thereupon, at 1.25 o'clock p. m., the committee adjourned until to-morrow, Saturday, July 22, 1911, at 10 o'clock a. m.)

No. 27

HEARINGS

HELD BEFORE THE

SPECIAL COMMITTEE ON THE INVESTIGATION OF THE AMERICAN SUGAR REFINING CO. AND OTHERS

SATURDAY, JULY 22, 1911

HOUSE OF REPRESENTATIVES

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

SPECIAL COMMITTEE ON THE INVESTIGATION OF THE AMERICAN SUGAR REFINING CO.

HOUSE OF REPRESENTATIVES.

THOMAS W. HARDWICK, *Chairman.*

FINIS J. GARRETT.
WILLIAM SULZER.
JOHN E. RAKER.
H. M. JACOWAY, JR.
GEORGE R. MALBY
J. W. FORDNEY.
E. H. MADISON
A. C. HINDS.

AMERICAN SUGAR REFINING CO.

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE AMERICAN SUGAR REFINING COMPANY AND OTHERS,
HOUSE OF REPRESENTATIVES,
New York, July 22, 1911.

The committee this day met, Hon. Thomas W. Hardwick (chairman) presiding.

TESTIMONY OF MR. CLAUS SPRECKELS.

The witness was duly sworn by the chairman.

The CHAIRMAN. Give the reporter your full name, please.

Mr. SPRECKELS. Claus August Spreckels.

The CHAIRMAN. Your residence.

Mr. SPRECKELS. 154 West Eighty-sixth Street.

The CHAIRMAN. Your present occupation, Mr. Spreckels.

Mr. SPRECKELS. Sugar refiner. I am president of the Federal Sugar Refining Co.

The CHAIRMAN. Where is the plant of that company?

Mr. SPRECKELS. Yonkers, N. Y.

The CHAIRMAN. How far from this city?

Mr. SPRECKELS. About 14 miles.

The CHAIRMAN. About 14 miles up the harbor?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Are you the son of the late C. A. Spreckels?

Mr. SPRECKELS. My father's name was Claus Spreckels; he had no middle name.

The CHAIRMAN. Of San Francisco?

Mr. SPRECKELS. Yes.

The CHAIRMAN. He was engaged for many years in sugar refining on the Pacific coast, was he not?

Mr. SPRECKELS. He was.

The CHAIRMAN. Now, did you begin the business of sugar refining in connection with him or under him?

Mr. SPRECKELS. I did.

The CHAIRMAN. Where?

Mr. SPRECKELS. In California, originally.

The CHAIRMAN. Do you remember the time that a war broke out between him and the American Sugar Refining Co., commonly called the Sugar Trust?

Mr. SPRECKELS. I do.

The CHAIRMAN. What year was that, about?

Mr. SPRECKELS. Shortly after the formation of the trust in 1888—1887 or 1888.

The CHAIRMAN. The original Sugar Refineries Co. was organized in 1887, and soon after that this war broke out?

Mr. SPRECKELS. Yes.

The CHAIRMAN. How long did it continue, Mr. Spreckels?

Mr. SPRECKELS. Until 1901.

The CHAIRMAN. A period of several years. Was it a pretty fierce war while it lasted?

Mr. SPRECKELS. Very.

The CHAIRMAN. There was real, active competition, I suppose, everywhere that both companies could reach?

Mr. SPRECKELS. There was.

The CHAIRMAN. While that war was in progress?

Mr. SPRECKELS. There was.

The CHAIRMAN. Now, you say it continued until some time in 1901. Did it cease then?

Mr. SPRECKELS. It ceased then.

The CHAIRMAN. Do you know on what terms it ceased?

Mr. SPRECKELS. I do.

The CHAIRMAN. Tell the committee, please.

Mr. SPRECKELS. I think it was in the summer of 1901, when I was over in New York, at the time I had charge of the Philadelphia plant.

The CHAIRMAN. Of the Philadelphia plant? That was the Spreckels's plant at Philadelphia?

Mr. SPRECKELS. Yes. I was the general manager of that plant and vice president of that plant. Returning on the ferryboat a man accosted me and said: "Where are you going?" Looking around I observed it was Mr. John E. Searles, the then secretary and treasurer of the American Sugar Refining Co. I said I was going home to Philadelphia. He said: "I am also going over there, and I am very anxious to see you to-night." I said: "I am very sorry, but it is impossible for me to see you to-night as I have an engagement." He tried to persuade me to break that engagement, as he was anxious to return to New York on the midnight train. However, I did not break the engagement, but did meet him at the Bellevue-Stratford Hotel after my engagement, at about midnight. He stated at that time that they were anxious to bury the hatchet, as he called it.

The CHAIRMAN. Now, you say he said "they." Whom did he mean by that—the American Sugar Refining Co.?

Mr. SPRECKELS. He said, "we." He said, "We are anxious to bury the hatchet."

The CHAIRMAN. You understood him to mean the American Sugar Refining Co., because he was one of its officers?

Mr. SPRECKELS. Yes. He said, "I have a proposition to make. We have fierce competition on the Pacific coast, and also in the East; if you will sell us 51 per cent of the stock of the Spreckels Sugar Refining Co., we will close up the American Sugar Refining Co., of California, and give you the entire field."

The CHAIRMAN. On the coast—on the Pacific slope?

Mr. SPRECKELS. Yes; on the Pacific slope. I said, "Mr. Searles, that is ridiculous; no institution or no man will sell 51 per cent, but if you would be willing to buy a minority interest, I will take it up with my father gladly, and see what can be done." He said I should

do it. I wired to my father about it, asking for permission to go ahead and make the arrangement.

The CHAIRMAN. Did that proposition include only a minority interest in the Philadelphia plant?

Mr. SPRECKELS. In the Spreckels Sugar Refining Co., Philadelphia; nothing on the Pacific coast. They were to retire entirely from the Pacific coast.

The CHAIRMAN. If you would give them that interest they would retire from the Pacific coast?

Mr. SPRECKELS. Yes. My father wired back that he wanted to conduct the negotiations himself; that if Mr. Searles had anything to say he must come to California. Mr. Searles wanted my father to come to New York. My father was very determined on it. He said, "Mr. Searles will come to San Francisco." Negotiations were going on, I guess, for two weeks.

The CHAIRMAN. On that point?

Mr. SPRECKELS. On that point, as to whether my father should come east or Mr. Searles should go west. Finally he said, "I will compromise, and go as far as New Orleans." My father said, "I will not leave California; I will not leave San Francisco." It was then for the first time that I learned why he did not want to go to San Francisco. He said, "I will go as far as San Diego." I said, "Well, if you go to San Diego, why not to San Francisco; it is all in one State?" He said, "I do not mind telling you why I do not care to go to San Francisco; I am in contempt of the courts there; if they get me within the jurisdiction of San Francisco, I will be up against it."

The CHAIRMAN. Did he tell you what the contempt was?

Mr. SPRECKELS. Yes; I knew what it was.

The CHAIRMAN. What was it?

Mr. SPRECKELS. It was in connection with the State—a State prosecution against the American Sugar Refining Co. under the antitrust law.

The CHAIRMAN. To dissolve the corporation?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And to prosecute the people criminally who had done the work?

Mr. SPRECKELS. Yes; they had subpœnæd Mr. Searles, and he was in contempt of court.

The CHAIRMAN. If he went to San Diego, was he not within the jurisdiction of the San Francisco courts?

Mr. SPRECKELS. Well, I understand it is too far away.

Mr. RAKER. They could not find him, that is all.

Mr. SPRECKELS. Yes; they would not know about it.

The CHAIRMAN. He explained to you, then, why he did not want to go to San Francisco?

Mr. SPRECKELS. Exactly. Under the circumstances, my father said, "I will go to Coronado." And they stopped at the Coronado Beach Hotel, at which time there were present Mr. John D. Spreckels and my father, and the two proceeded to negotiate with Mr. Searles.

The CHAIRMAN. How did the negotiations come out, do you know?

Mr. SPRECKELS. The negotiations, much to my surprise, came out, as I was informed, by organizing the Western Sugar Refining Co., leasing to that company the California Sugar Refinery.

The CHAIRMAN. Which company was that?

Mr. SPRECKELS. That was my father's; I was interested in it, and my brothers.

The CHAIRMAN. But your father was the principal owner of it?

Mr. SPRECKELS. Yes; he was the principal owner.

The CHAIRMAN. They leased to the Western Co.——

Mr. SPRECKELS. They leased to the Western the California Sugar Refinery, and also leased the American Sugar Refinery Co.

The CHAIRMAN. The American Sugar Refinery Co., of San Francisco?

Mr. SPRECKELS. Yes.

The CHAIRMAN. In other words, it was to be a holding company, and they were to operate or not to operate either company, as they saw fit—is that the idea?

Mr. SPRECKELS. Yes, sir; that is the idea.

The CHAIRMAN. Well, that was one part of the contract?

Mr. SPRECKELS. Yes. And they immediately closed up the American Sugar Refining Co. and operated only the California Refinery.

The CHAIRMAN. Now, right at that point, give us the capacity, in round figures, of those two plants at the time they made this agreement.

Mr. SPRECKELS. The capacity of the American was about, I should call it, 500,000 pounds per day.

The CHAIRMAN. That was the San Francisco plant?

Mr. SPRECKELS. Yes.

The CHAIRMAN. What was your father's capacity there?

Mr. SPRECKELS. About a million and a quarter.

The CHAIRMAN. In other words, his plant was a little over twice as big?

Mr. SPRECKELS. Yes; twice as large.

The CHAIRMAN. And they agreed to close up the American Refinery and to run your father's refinery?

Mr. SPRECKELS. That is the idea.

The CHAIRMAN. What interest did the American take with your father out there—half?

Mr. SPRECKELS. The American Sugar Refining Co. took one half and the California took the other half.

The CHAIRMAN. In this Western Co.?

Mr. SPRECKELS. Yes. In addition to that arrangement they were to have 45 per cent of the Philadelphia plant.

The CHAIRMAN. Those were the two things that were to be done?

Mr. SPRECKELS. Yes; those were the two things.

The CHAIRMAN. What had the Philadelphia plant cost, in round figures?

Mr. SPRECKELS. $5,000,000.

The CHAIRMAN. That is what you considered it to be worth at that time?

Mr. SPRECKELS. Yes; $5,000,000 of paid-up capital.

The CHAIRMAN. How did they manage the deal when it came to the Philadelphia Spreckels plant?

Mr. SPRECKELS. Well, they were to pay for that at par for the stock.

The CHAIRMAN. In cash?

Mr. SPRECKELS. In cash.

The CHAIRMAN. Who was to pay it?

Mr. SPRECKELS. I supposed at that time the American Sugar Refining Co.

The CHAIRMAN. You supposed that at that time. Did you find out subsequently that that was not the fact?

Mr. SPRECKELS. I came over here to deliver the stock, and I was asked to come up to the Western National Bank, of which Mr. Searles, I believe, was a director or vice president, and there I met Mr. Theodore Havemeyer and Mr. Harry Havemeyer and Mr. Searles, and they told me then that they would like to have the stock made out in the names of Theodore Havemeyer, Harry Havemeyer, and John E. Searles.

The CHAIRMAN. By Harry Havemeyer you mean H. O. Havemeyer?

Mr. SPRECKELS. Yes. I said, "What is this? Does this stock go to you or to the American Sugar Refining Co.? I supposed we were trading with the American Sugar Refining Co." They said, "Oh, no; they do not want it; we want that for ourselves." If my recollection serves me rightly, I think Theodore Havemeyer got three-eighths of the stock, H. O. Havemeyer three-eighths, and Searles two-eighths.

The CHAIRMAN. When that proposition was put up to you, that the stock was not to be transferred as you had previously understood that it was—that is, to the American Sugar Refining Co.—but to these three men individually, did you raise any objections to that?

Mr. SPRECKELS. Well, I was surprised. I said, "This is very strange." And they said, "Oh, no; the American Sugar Refining Co. does not want it."

The CHAIRMAN. Did they tell you that was the agreement with your father?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Was he there?

Mr. SPRECKELS. He was not there.

The CHAIRMAN. Did you stop to verify that statement, that that was not the understanding?

Mr. SPRECKELS. No. My father said he never knew it, but that he was indifferent about it.

The CHAIRMAN. Just so he got the money, he did not care whether they owned as individuals one-half of the western company or the American Sugar Refining Co.?

Mr. SPRECKELS. He says, "I do not know who my partners are."

The CHAIRMAN. How long ago was it that your father told you that?

Mr. SPRECKELS. He told me about four years ago.

The CHAIRMAN. How long has he been dead?

Mr. SPRECKELS. He died in December, 1907.

The CHAIRMAN. That was the same month in which H. O. Havemeyer died, was it not?

Mr. SPRECKELS. No; I think Havemeyer died in the summer, did he not? I do not know.

The CHAIRMAN. I think it has been testified here that it was in December, 1907.

Mr. MADISON. December 4, 1907.

The CHAIRMAN. Yes; and that was the same month in which your father died; it was somewhat of a coincidence. However, he told you he did not know who his partners were after that happened?

Mr. SPRECKELS. Yes.

The CHAIRMAN. After you expressed surprise that these individuals were buying the stock instead of the American Sugar Refining Co., as you had understood the matter, did they pay the money and pay it all in cash?

Mr. SPRECKELS. Not altogether.

The CHAIRMAN. Then what happened?

Mr. SPRECKELS. They gave part cash, and then they asked whether I would not allow them to pay the balance by notes; I forget, now, but I think for 60 days or for 90 days.

The CHAIRMAN. Short-time notes?

Mr. SPRECKELS. Yes; which again were renewed, I believe, for a further period.

The CHAIRMAN. And you agreed to that?

Mr. SPRECKELS. Yes; I agreed to that; and they paid the interest.

The CHAIRMAN. How much cash did they pay you?

Mr. SPRECKELS. I do not recall at the moment, but I should say half in cash.

The CHAIRMAN. They were buying two and a half million at par?

Mr. SPRECKELS. Yes.

The CHAIRMAN. So they must have paid a million and a quarter that day?

Mr. SPRECKELS. About.

The CHAIRMAN. Did they buy exactly a half interest?

Mr. SPRECKELS. No, sir; 45 per cent.

The CHAIRMAN. Then it would not be quite two and a half million, but a little over two million—45 per cent of five million?

Mr. SPRECKELS. Two million two hundred and fifty thousand.

The CHAIRMAN. They paid half of that in cash and the other half by short-time paper?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Secured by stock as collateral?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. How many times did they renew those notes, do you know?

Mr. SPRECKELS. I think, twice.

The CHAIRMAN. And they finally paid them in cash?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Now, after these three individuals had the stock transferred to themselves, in the manner in which you have described, what became of that stock, do you know?

Mr. SPRECKELS. I can only——

The CHAIRMAN (interposing). Just a moment. This committee is not bound by the ordinary rules of law about hearsay, and if you have reasonably definite information on the point—and you need not swear to it—please give us the benefit of your information and state how you know it.

Mr. SPRECKELS. Well, they sold it to the trust in 1892.

The CHAIRMAN. How long after they bought it, do you know—about how long?

Mr. SPRECKELS. I should say six or seven months.

The CHAIRMAN. Well, when they sold it to the trust, of course, your father sold his stock to the trust, too?

Mr. SPRECKELS. Yes; at the same time. They put it in at ten millions.

The CHAIRMAN. In other words, the trust paid ten millions for that which had been bought at five millions, or half of it, 45 per cent, being $2,250,000, just a few months before?

Mr. SPRECKELS. Yes; they made 100 per cent.

The CHAIRMAN. How was that ten millions arranged; was it all common or all preferred?

Mr. SPRECKELS. Half common and half preferred.

The CHAIRMAN. In other words, they sold it to the trust for $10,000,000? Did they get cash out of the trust for it?

Mr. SPRECKELS. No; they got stock for it.

The CHAIRMAN. They got stock in the trust?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And they delivered to the trust five millions of preferred and five millions of common—they delivered this corporation, in other words, to the trust?

Mr. SPRECKELS. They delivered the stock of the corporation.

The CHAIRMAN. All of the stock?

Mr. SPRECKELS. Yes.

The CHAIRMAN. All of the stock of the Spreckels Refining Co., of Philadelphia, they delivered to the trust, and the consideration that they got from the trust was five millions of preferred stock of the trust——

Mr. SPRECKELS (interposing). And five millions more of common of the American Sugar Refining Co., a profit of 100 per cent.

The CHAIRMAN. In just a few months?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Of course your father got half of that profit, or a little over half, and these three gentlemen got the other 45 per cent?

Mr. SPRECKELS. He did; he got the profit on his investment.

The CHAIRMAN. Of course he got the same profit that they did.

Mr. SPRECKELS. But he had no interest at that time in the American Sugar Refining Co.

The CHAIRMAN. Up to that time, did he have any stock in the American Sugar Refining Co.?

Mr. SPRECKELS. None whatever.

The CHAIRMAN. What did he do with this stock that he got in the American Sugar Refining Co. by this transaction?

Mr. SPRECKELS. He sold it from time to time; got rid of it.

The CHAIRMAN. He got rid of it. Could you give us an estimate of what it averaged or netted him? I mean, 80, 75, 60, 50, or at whatever figure he sold it?

Mr. SPRECKELS. I should say it averaged 120.

The CHAIRMAN. On both common and preferred?

Mr. SPRECKELS. Yes.

The CHAIRMAN. So that this ten millions of stock that they took for this $5,000,000 plant averaged on the market something like——

Mr. SPRECKELS (interposing). A million more.

The CHAIRMAN. Two millions more, is it not?

Mr. SPRECKELS. Yes; two millions more.

The CHAIRMAN. $12,000,000 istead of $10,000,000?
Mr. SPRECKELS. Yes.
The CHAIRMAN. Do you know when these other three gentlemen sold their stock, or how they sold it, if they ever sold it?
Mr. SPRECKELS. No.
The CHAIRMAN. But your father sold his stock as rapidly as he could after he got it?
Mr. SPRECKELS. No; he took his time about it.
The CHAIRMAN. But it was his policy to gradually unload it?
Mr. SPRECKELS. Yes.
The CHAIRMAN. As fast as he could without breaking the market?
Mr. SPRECKELS. That is the idea.
The CHAIRMAN. At the date of his death did he own any interest or stock in the American Sugar Refining Co.?
Mr. SPRECKELS. He did.
The CHAIRMAN. How much?
Mr. SPRECKELS. I can furnish that later; I do not know what the interest was.
The CHAIRMAN. All right, you can furnish that later. Can you tell us in round figures for our own information? You can correct it later, if necessary; you will not be bound by it at all.
Mr. SPRECKELS. I should say 600 or 700 shares.
The CHAIRMAN. Common or preferred?
Mr. SPRECKELS. Preferred.
The CHAIRMAN. Did his executors dispose of that?
Mr. SPRECKELS. They did; all but about 100 shares, which they still hold.
The CHAIRMAN. Which the executors of the estate still hold?
Mr. SPRECKELS. Yes.
The CHAIRMAN. And to that extent you have an interest in the stock of the American Sugar Refining Co.?
Mr. SPRECKELS. Yes.
The CHAIRMAN. Who are the executors of your father's estate?
Mr. SPRECKELS. My brother, Mr. Rudolph Spreckels, and myself.
The CHAIRMAN. Where does Mr. Rudolph Spreckels live?
Mr. SPRECKELS. In San Francisco.
The CHAIRMAN. Is he associated in business with your other brother, John D. Spreckels?
Mr. SPRECKELS. He is not.
The CHAIRMAN. He has retired from business?
Mr. SPRECKELS. No; he is now president of the First National Bank of San Francisco.
The CHAIRMAN. But he has no connection with the sugar business.
Mr. SPRECKELS. Only as a stockholder with me.
The CHAIRMAN. Only as a stockholder with you in the Federal Co.?
Mr. SPRECKELS. Yes; as a stockholder only.
The CHAIRMAN. Well, now, after you sold the Philadelphia plant of your father—the Spreckels Refining Co., of Philadelphia—to the trust in the manner and form which you have described, did you remain with them any length of time?
Mr. SPRECKELS. I remained there until December, 1891.
The CHAIRMAN. Until December, 1891?
Mr. SPRECKELS. Yes; I remained with them——

The CHAIRMAN (interposing). How many months?
Mr. SPRECKELS. I should say five or six months.
The CHAIRMAN. Just getting things started?
Mr. SPRECKELS. After they sold a minority interest to Havemeyer and Searles.
The CHAIRMAN. At that time your father still owned the majority that you named, and they owned 45 per cent, the minority interest?
Mr. SPRECKELS. Yes.
The CHAIRMAN. After the trust acquired the stock from your father, and from the two Havemeyers and Searles, did you remain with that plant?
Mr. SPRECKELS. I say about six months.
The CHAIRMAN. After the American Sugar Refining Co. itself acquired the stock?
Mr. SPRECKELS. No, sir; I retired before.
The CHAIRMAN. You retired before the second stock transaction, which turned it all over to the American Sugar Refining Co.?
Mr. SPRECKELS. Yes; a few months before.
The CHAIRMAN. Why did you retire? Was there any personal reason, or did you just want to get out of it?
Mr. SPRECKELS. Well, there were personal reasons. I could not work with the crowd.
The CHAIRMAN. Which one of them was it that you had your disagreement with, or was it with all of them?
Mr. SPRECKELS. I had it with all of them.
The CHAIRMAN. On what subject? As to how the business should be run?
Mr. SPRECKELS. As to how the business should be run. Mr. Searles particularly did not like the way I ran the business, and was constantly complaining to my father, which eventually caused friction between my father, myself, and my brothers.
The CHAIRMAN. So that you finally got out?
Mr. SPRECKELS. Yes. And I said, "Very well, I shall retire entirely," and I got out.
The CHAIRMAN. I do not want to pry into any personal affairs that would not be of public interest or of public service to the committee, but was that friction in any way caused by any disagreement as to the policy adopted by the company in its dealings with the public?
Mr. SPRECKELS. Yes.
The CHAIRMAN. If that is true, it is of intense interest to the public and to the committee.
Mr. SPRECKELS. There were repeated differences as to how much sugar the Spreckels plant should produce.
The CHAIRMAN. How much sugar the Spreckels plant should produce?
Mr. SPRECKELS. Yes; and as to the prices.
The CHAIRMAN. Did the minority stockholders undertake to limit what the corporation itself should produce?
Mr. SPRECKELS. That is what they asked me to do.
The CHAIRMAN. They wanted you to do that?
Mr. SPRECKELS. Yes; and I declined to do it.
The CHAIRMAN. You thought you represented the majority stock, and——

Mr. SPRECKELS (interposing). I thought I was doing my duty for the bests interests of the majority stockholders and of all stockholders.

The CHAIRMAN. You wanted to produce as much as you could and sell as much as you could?

Mr. SPRECKELS. Yes; and not to be dictated to as to prices.

The CHAIRMAN. Did they undertake to dictate what prices should be charged?

Mr. SPRECKELS. Yes.

The CHAIRMAN. In what way?

Mr. SPRECKELS. They thought I ought to get more money for the sugar.

The CHAIRMAN. That you should sell it at a higher price than you were selling it at?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Why did you not agree with them on that? Ordinarily a man desires to sell as much as he can, and get as much as he can.

Mr. SPRECKELS. So did I, but I could not sell all of the entire production at that time.

The CHAIRMAN. And their idea was that if you reduced the production you would get a higher price for the product, and possibly make more money?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And your idea was to keep the plant running at full speed?

Mr. SPRECKELS. That is the idea.

The CHAIRMAN. Were there any other differences except that?

Mr. SPRECKELS. No; I think that is the only difference.

The CHAIRMAN. That was the main point of difference, and every other difference was ancillary to that; is that the idea?

Mr. SPRECKELS. Yes; that was the starting point.

The CHAIRMAN. Do you know anything about this factors' agreement that was in existence at that time, and about which we have had some evidence?

Mr. SPRECKELS. In a general way; yes, sir.

The CHAIRMAN. Tell us about it in a general way. We have had a great deal of hazy testimony about that agreement. Tell us how it worked.

Mr. SPRECKELS. It was a combination between the Hawaiian planters for the marketing of their product.

The CHAIRMAN. Well, I think you have a different matter in mind. I mean the factors' agreement they had with the wholesale grocers or with the brokers as to the disposition of refined sugar—is that what you are thinking about?

Mr. SPRECKELS. We had no such agreement—you mean in Philadelphia?

The CHAIRMAN. Yes.

Mr. SPRECKELS. We had no such agreement; we never entered into that.

The CHAIRMAN. What other factors' agreement was there?

Mr. SPRECKELS. I thought you meant the Factors Co. in Hawaii.

The CHAIRMAN. Well, we will come to it in a little different form, because I want to make it as consecutive and as logical as I can as we go along. Then you quit them, as I understand your testimony, on

account of this difference, this tremendous difference about the policy of the Spreckels Refining Co.?

Mr. SPRECKELS. That was the starting point, and it finally resulted in friction between my father and brother; one thing brought on another.

The CHAIRMAN. Until you finally got out?

Mr. SPRECKELS. Yes. When you start a fire you do not know where it is ultimately going to end.

The CHAIRMAN. You got out of the business, did you?

Mr. SPRECKELS. I retired entirely.

The CHAIRMAN. And had no connection with the sugar business?

Mr. SPRECKELS. No connection whatever.

The CHAIRMAN. And no particular knowledge of it during the time you were out?

Mr. SPRECKELS. No, sir; except in a general way.

The CHAIRMAN. When did you reenter the sugar business, and how?

Mr. SPRECKELS. I entered as a sugar grower in Hawaii, about two years afterwards.

The CHAIRMAN. About two years afterwards you became a sugar planter or grower in Hawaii?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Did you acquire sugar lands out there?

Mr. SPRECKELS. No; I bought a plantation.

The CHAIRMAN. Was it a large plantation or a small one?

Mr. SPRECKELS. A large one.

The CHAIRMAN. Have you that plantation now?

Mr. SPRECKELS. No, sir; I sold it.

The CHAIRMAN. You have now no sugar lands in Hawaii?

Mr. SPRECKELS. None.

The CHAIRMAN. In Cuba?

Mr. SPRECKELS. I own there stock or interest in a corporation.

The CHAIRMAN. You own some stock in a Cuban corporation?

Mr. SPRECKELS. Lands that are not cultivated.

The CHAIRMAN. You own stock in companies that own Cuban lands?

Mr. SPRECKELS. Yes.

The CHAIRMAN. But not now being used to raise sugar?

Mr. SPRECKELS. No.

The CHAIRMAN. You now have no sugar interests directly in Cuba?

Mr. SPRECKELS. None.

The CHAIRMAN. Have you any in Porto Rico?

Mr. SPRECKELS. None.

The CHAIRMAN. After the Spreckels Co. in Philadelphia was sold out to the trust, in the manner in which you have described, how long was it before you went into this Hawaiian sugar venture?

Mr. SPRECKELS. I say, about two years after that.

The CHAIRMAN. Did you move to Hawaii when you bought this big sugar plantation?

Mr. SPRECKELS. Not permanently; no. I stayed there for four or five months at a time.

The CHAIRMAN. But you kept your residence in San Francisco?

Mr. SPRECKELS. Yes.

The CHAIRMAN. How large a plantation was that, about?

Mr. SPRECKELS. It is the largest plantation in Hawaii.
The CHAIRMAN. Its name?
Mr. SPRECKELS. The Hawaiian Commercial & Sugar Co.
The CHAIRMAN. Was it incorporated at the time you owned it?
Mr. SPRECKELS. Yes.
The CHAIRMAN. Did you buy a controlling interest in the stock or all of the stock?
Mr. SPRECKELS. I bought all of the stock.
The CHAIRMAN. So you were practically its sole owner?
Mr. SPRECKELS. Yes.
The CHAIRMAN. Give us, in acres, in round numbers, the extent of that plantation.
Mr. SPRECKELS. 40,000 acres.
The CHAIRMAN. Well, while you were out there for those two years, from 1892 to 1894——
Mr. SPRECKELS (interposing). No; I was out longer than that.
The CHAIRMAN. You started in 1894?
Mr. SPRECKELS. I was there five years.
The CHAIRMAN. Beginning in 1894?
Mr. SPRECKELS. 1894; yes.
The CHAIRMAN. Did you get a pretty intimate acquaintance with the sugar situation in Hawaii during those five years?
Mr. SPRECKELS. I did.
The CHAIRMAN. Now, will you please tell the committee what the condition was then, and, so far as you know, you can sketch any changes that have occurred since in the sugar condition in Hawaii from the standpoint of a planter.
Mr. SPRECKELS. In what respect?
The CHAIRMAN. I mean to whom does the Hawaiian planter sell his product?
Mr. SPRECKELS. To whom it was sold at that time?
The CHAIRMAN. Yes; at that time.
Mr. SPRECKELS. At that time it was sold to the Western.
The CHAIRMAN. To the Western Refining Co.?
Mr. SPRECKELS. Yes; all.
The CHAIRMAN. Which was the holding company that you have just described and which your father and Havemeyer formed?
Mr. SPRECKELS. Yes.
The CHAIRMAN. Do you know to whom they sell it now?
Mr. SPRECKELS. To the Western, to the California-Hawaiian, and to the American Sugar Refining Co.
The CHAIRMAN. Here in New York?
Mr. SPRECKELS. Yes; here in New York.
The CHAIRMAN. How do they get it over to New York?
Mr. SPRECKELS. They send it——
The CHAIRMAN (interposing). Do they send it around the Horn?
Mr. SPRECKELS. Yes; some comes around the Horn and others by way of Mexico—the Tehuantepec route.
The CHAIRMAN. That trade with New York direct from Hawaii will be tremendously increased when the canal is completed, will it not?
Mr. SPRECKELS. I think they have reached the limit of the trade; they can not produce any more.

The CHAIRMAN. You think Hawaii is up to its limit of production?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And therefore you do not think there is likely to be any increase upon the completion of the Isthmian Canal?

Mr. SPRECKELS. I do not think so.

The CHAIRMAN. Will it affect the rate very much?

Mr. SPRECKELS. I hope so.

The CHAIRMAN. You believe it will, do you not?

Mr. SPRECKELS. I think so.

The CHAIRMAN. It ought to have a tendency to increase the importation of raw sugar into New York when it opens?

Mr. SPRECKELS. The canal?

The CHAIRMAN. Yes.

Mr. SPRECKELS. I do not think so.

The CHAIRMAN. Now, for many years, it has been testified to here, and besides that we take cognizance of it, because we know what the laws are, or are supposed to know what the laws are, that we have had free sugar from Hawaii.

Mr. SPRECKELS. We have had it since——

The CHAIRMAN (interposing). In other words, no duty charged on Hawaiian sugar?

Mr. SPRECKELS. No, sir.

Mr. MADISON. Since the seventies.

The CHAIRMAN. That is, no duty was charged by virtue of a treaty entered into between the United States and the Kingdom of Hawaii before it became a part of this country?

Mr. SPRECKELS. No duty charged since that time.

The CHAIRMAN. Now, do the people of the United States, the buyers of raw sugars and the ultimate consumers of raw sugar after it is refined, get any benefit from that fact?

Mr. SPRECKELS. None.

The CHAIRMAN. Who gets that benefit?

Mr. SPRECKELS. The planters.

The CHAIRMAN. Why?

Mr. SPRECKELS. So long as the importations are not sufficient, or, rather, so long as you can not get it from the world's market in competition with it, a small fraction will always get the benefit of the tariff.

The CHAIRMAN. In other words, they put themselves behind the tariff wall—is that the idea?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And charge the consumer what we would have to pay to the foreigner who brought it in—is that the idea?

Mr. SPRECKELS. Yes; that is right.

The CHAIRMAN. Did the Hawaiian planters maintain any sort of an organization among themselves?

Mr. SPRECKELS. Not at that time.

The CHAIRMAN. Do you happen to know whether they have maintained any since that time?

Mr. SPRECKELS. They formed the Factors Co.

The CHAIRMAN. That is what you started to tell about a little while ago?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Can you tell——

Mr. SPRECKELS (interposing). May I make one suggestion here?

The CHAIRMAN. Yes.

Mr. SPRECKELS. Touching on the point of the tariff, during that period of time—or, rather, there was a time when there was no tariff on sugar.

The CHAIRMAN. None at all?

Mr. SPRECKELS. Yes; it was free.

The CHAIRMAN. What period was that?

Mr. SPRECKELS. Well, I can not tell you the exact date.

The CHAIRMAN. During the McKinley bill, was it?

Mr. SPRECKELS. Yes; I think so.

The CHAIRMAN. The McKinley bill gave a bounty and abolished the duty?

Mr. SPRECKELS. Yes.

The CHAIRMAN. That was passed in 1890, was it not?

Mr. SPRECKELS. Thereabouts; I do not recall.

The CHAIRMAN. And stayed in effect until the Wilson bill was passed in 1894?

Mr. SPRECKELS. Yes.

The CHAIRMAN. A bounty of some cents was given by the McKinley law?

Mr. SPRECKELS. Yes. During that period the Hawaiian planter received no benefit and sold it——

The CHAIRMAN (interposing). At the world's price?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Well, we will come to that a little later on. Now, to go on with this story. They now have what is known as the factors' arrangement—that is, the Hawaiian planters?

Mr. SPRECKELS. Yes.

The CHAIRMAN. At the suggestion of one of my colleagues I will put a historical fact into the record. During the time the McKinley bill was in operation, from 1890 to 1894, during those four years, inclusive, was Hawaii a part of the United States?

Mr. SPRECKELS. No, sir.

The CHAIRMAN. Could you give us the figures of Hawaiian production?

Mr. SPRECKELS. I can.

The CHAIRMAN. But you can not do it now?

Mr. SPRECKELS. No; but I will furnish those figures to you.

The CHAIRMAN. You can supply them later, and I wish you would, beginning with 1890 and bringing them down to the present year—the Hawaiian production of sugar from 1890 up to and including 1910. What was this factors' agreement or arrangement in Hawaii?

Mr. SPRECKELS. It was for the purpose of selling their sugar.

The CHAIRMAN. Well, briefly, what was it?

Mr. SPRECKELS. It was a combination of all the planters contributing their sugar to the Factors Co., and they as a company disposing of the product.

The CHAIRMAN. Of the entire product of the island?

Mr. SPRECKELS. No; there are a few exceptions; there are a few who are not in the Factors Co.

The CHAIRMAN. Does it include the bulk of the product, the most of it?

Mr. SPRECKELS. I should say yes; largely.
The CHAIRMAN. The majority of the product?
Mr. SPRECKELS. Yes.
The CHAIRMAN. What sort of a concern is that Factors Co.? How does it operate in disposing of its product?
Mr. SPRECKELS. It operates to keep the price up, sir. They are not competing with each other.
The CHAIRMAN. To sell?
Mr. SPRECKELS. Yes.
The CHAIRMAN. In other words, the Factors Co. acts for each individual planter that belongs to the association in disposing of the product?
Mr. SPRECKELS. Yes.
The CHAIRMAN. Takes his product and settles with him?
Mr. SPRECKELS. Yes; so as to eliminate competition between each other.
The CHAIRMAN. So the Hawaiians will not compete with each other in disposing of their raw product?
Mr. SPRECKELS. That is right.
The CHAIRMAN. In disposing of the raw sugar to the buyer of raw sugar?
Mr. SPRECKELS. Yes.
The CHAIRMAN. That is very interesting. Do you think it is a pretty big association?
Mr. SPRECKELS. So much so that I have not been able to buy a pound of Hawaiian sugar since I have been in the business.
The CHAIRMAN. You mean the Federal Co.?
Mr. SPRECKELS. Yes; the Federal Co. has not been able to buy a pound.
The CHAIRMAN. Well, why?
Mr. SPRECKELS. Because they are more or less allied with the California-Hawaiian Sugar Co.
The CHAIRMAN. Do you know, or have you any reason to believe, that there is any alliance with the Western Co.?
Mr. SPRECKELS. I believe so.
The CHAIRMAN. In other words, they sell their product to the California-Hawaiian Co. and to the Western?
Mr. SPRECKELS. No; not to the Western, as I understand, but the Western is controlled by parties who have the control of sugars outside of the Factors Co.
The CHAIRMAN. In other words, they have large sugar plantations?
Mr. SPRECKELS. Yes; they have plantations.
The CHAIRMAN. From which they supply the Western?
Mr. SPRECKELS. Yes.
The CHAIRMAN. But the bulk of the Hawaiian Co.'s stuff goes to the California-Hawaiian Sugar Refining Co.?
Mr. SPRECKELS. Yes; that is the idea.
The CHAIRMAN. You say you have made efforts to buy from these people?
Mr. SPRECKELS. I have offered to make a contract with them.
The CHAIRMAN. To bring it to New York?
Mr. SPRECKELS. Yes; to take part of it out in California and part in New York—to take the entire product of the entire Factors Co. But I have not been able to get an opportunity to bid on it.

The CHAIRMAN. Was it because you did not offer enough that they would not sell to you?

Mr. SPRECKELS. That was not the reason.

The CHAIRMAN. Well, why? Did you go above the market in your bid?

Mr. SPRECKELS. I never made a price. I said if they were willing to let me make a bid I would give them a price and give them a bond for the payment of it, and therefore they would run no risk.

The CHAIRMAN. What was their reply?

Mr. SPRECKELS. They said they were very glad to hear that, and they would come to see me; but they did not.

The CHAIRMAN. They never came?

Mr. SPRECKELS. No. And all the time they were dickering with Mr. Havemeyer, which I knew about. I told them I would not set a price until they told me they would deal with me. I said, "I will offer, and am prepared to pay you, more than anybody in the market."

The CHAIRMAN. You told them that?

Mr. SPRECKELS. I did. I told that to Mr. Rithett, who was one of the committee of the Factors Co. that came on to New York to dispose of this product.

The CHAIRMAN. What year was that?

Mr. SPRECKELS. 1906, I think.

The CHAIRMAN. Did you ever have any subsequent negotiations with them after that year?

Mr. SPRECKELS. No.

The CHAIRMAN. Did this Factors Co. give any reason why they could not sell to you, if you were willing to give more than anybody else?

Mr. SPRECKELS. No. I met them frequently on the street and would say, "When are you coming in to see me?" And they would say, "We are coming to see you within a day or two." And before I knew it they were out of town and they had contracted with Mr. Havemeyer.

The CHAIRMAN. Without ever getting your price?

Mr. SPRECKELS. Without even getting my price they contracted with Mr. Havemeyer, and I understand that Mr. Havemeyer is interested in the California-Hawaiian plant.

The CHAIRMAN. I will say to the committee that an inventory of the estate shows he had a considerable interest in that company.

Mr. SPRECKELS. I have never seen that, but I have always thought so.

The CHAIRMAN. The inventory was sent to me by Mr. Dykman; it is a copy of the records of the surrogate's office of New York. The inventory shows that the Havemeyer estate has quite a considerable interest in that company, and at the time of his death he left that interest. Whatever reason there was, they would not get your price and they did contract with Mr. Havemeyer.

Mr. SPRECKELS. Yes; that is the idea.

The CHAIRMAN. Well, now, you say you sold your plantation, the large one of 40,000 acres, which you have described to the committee, that is you sold your sugar plantation in Hawaii in about 1899?

Mr. SPRECKELS. 1897 or 1898.

The CHAIRMAN. Why did you sell it, if it throws any light on this matter? Did you sell it to go into some other branch of the business?

Mr. SPRECKELS. No; I sold it to retire.

The CHAIRMAN. From the sugar business?
Mr. SPRECKELS. Yes.
The CHAIRMAN. Did you finally find the business of the sugar plantation in Hawaii profitable?
Mr. SPRECKELS. Very.
The CHAIRMAN. It paid a fair per cent on the money?
Mr. SPRECKELS. It paid a very good rate.
The CHAIRMAN. Would you mind giving us an estimate on that subject?
Mr. SPRECKELS. Well, the plantations vary.
The CHAIRMAN. I know, but give us your own experience, if you have no objection.
Mr. SPRECKELS. At that time it was a defunct plantation.
The CHAIRMAN. You bought it when it was in bad shape?
Mr. SPRECKELS. Yes; it was in such shape that no one thought it would be possible to make it pay.
The CHAIRMAN. What did you pay for it in round numbers?
Mr. SPRECKELS. About 10 cents a share.
The CHAIRMAN. What did the stock cost you in point of numbers?
Mr. SPRECKELS. One hundred shares in the company at $10,000, but there was a bond issue against it.
The CHAIRMAN. What was the bond issue?
Mr. SPRECKELS. The bond issue, I believe, was $1,100,000.
The CHAIRMAN. In other words, the stock was practically valueless, and you bought it for $10,000?
Mr. SPRECKELS. Yes.
The CHAIRMAN. And you say the company had a bond issue which you assumed?
Mr. SPRECKELS. Yes.
The CHAIRMAN. Did you ever succeed in paying the bonded debt, or any considerable part of it?
Mr SPRECKELS. I did. I sold out the stock. But the company was in good shape at the time; I paid no dividends, but put the returns back into the plant and into improvements. The stock at that time was selling, approximately, at $40 per share.
The CHAIRMAN. $40 per share?
Mr. SPRECKELS. $40; I sold my last stock at $80 a share.
The CHAIRMAN. You mean the stock you paid 10 cents a share for?
Mr. SPRECKELS. Yes, sir.
The CHAIRMAN. How many years did it take you to do that?
Mr. SPRECKELS. Four years.
The CHAIRMAN. Four sugar campaigns?
Mr. SPRECKELS. Four sugar campaigns.
The CHAIRMAN. That is better than a gold mine, is it not?
Mr. SPRECKELS. Yes.
The CHAIRMAN. Those people do not need very much protection, do they?
Mr. SPRECKELS. I have worked under free trade. I worked under free trade there.
The CHAIRMAN. You were working under free trade then?
Mr. SPRECKELS. Part of the time; yes, sir.
The CHAIRMAN. How do you account for the marvelous profit in that sort of enterprise?

Mr. SPRECKELS. I believe to-day they declared stock dividends, and the stock is selling at something like 120.

The CHAIRMAN. Then, if you had held onto it, you would have been even better off? Of course, that is a little comment of mine—pleasantry, more than anything else. Going back to look at it from another angle, how much money did you clean up actually by that four-year campaign? This is not meant as any criticism. I have a great deal of admiration for a man that can make money in that way.

Mr. SPRECKELS. Well, we cleaned up a couple million dollars.

The CHAIRMAN. And you never did invest anything but the $10,000?

Mr. SPRECKELS. I bought a majority of the bonds, too.

The CHAIRMAN. You mean you netted that much on the transaction in four years?

Mr. SPRECKELS. Yes, sir.

Mr. SULZER. What was the bonded indebtedness?

Mr. SPRECKELS. I bought the bonds at 90.

The CHAIRMAN. Mr. Sulzer asked what was the amount of the bonded indebtedness.

Mr. SPRECKELS. I think it was $1,100,000. I have forgotten exactly, but it was a little over $1,000,000.

The CHAIRMAN. If you will pardon an apparent personal question, what made you anxious to retire from a business of that kind? Did you think you had enough?

Mr. SPRECKELS. I thought I had enough.

The CHAIRMAN. To use a common expression, you were not a hog, and you thought you had done pretty well?

Mr. SPRECKELS. Yes; and I thought——

The CHAIRMAN (interposing). And you thought it might go the other way?

Mr. SPRECKELS. I thought it might go the other way.

The CHAIRMAN. And you did all that under free trade in sugar?

Mr. SPRECKELS. Partly free trade at that time.

The CHAIRMAN. Did the Hawaiian planters get a bounty under that McKinley law?

Mr. SPRECKELS. No, sir.

The CHAIRMAN. The bounty just went to the Louisiana people?

Mr. SPRECKELS. Yes; that is the reason they were anxious to annex it to this country.

The CHAIRMAN. I see. They thought that if they came in, with the McKinley law in force, they would get that bounty?

Mr. SPRECKELS. That was the cause of the overthrow of the monarchy.

The CHAIRMAN. Commercial reasons, then, after all, overturn monarchies and set up republics at times?

Mr. SPRECKELS. Wherever there is sugar there is trouble.

The CHAIRMAN. After you sold out, then, in 1899, you were still in this country and you had your residence at San Francisco?

Mr. SPRECKELS. No, sir; I retired entirely from California at that time and went over to Europe for a little vacation.

The CHAIRMAN. How long did you stay on that vacation?

Mr. SPRECKELS. I stayed until I came back here to start the Federal, about 1902, I think it was.

The CHAIRMAN. You came back in 1902 and started to engage in business, and knowing the sugar business, you decided you would put up a sugar refinery?

Mr. SPRECKELS. I felt I had better get to work again. I was getting rusty.

The CHAIRMAN. You had rested enough and were ready to go back to work again, just like a good citizen.

Mr. SPRECKELS. That is the idea.

The CHAIRMAN. Who went into the Federal with you?

Mr. SPRECKELS. Mr. John W. Mackay was a large owner at the time.

The CHAIRMAN. He was a California man, was he not?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. Did your brother go in with you then?

Mr. SPRECKELS. No, sir.

The CHAIRMAN. Mr. Mackay and yourself were the principal owners?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. You had some small stockholders, or was it a close corporation?

Mr. SPRECKELS. Originally we started with a man by the name of Matthews, a friend of Mr. Mackay's, and Mr. Mackay and myself.

The CHAIRMAN. They were the three incorporators. Were there any more?

Mr. SPRECKELS. I do not know who the incorporators were.

The CHAIRMAN. I mean the three real parties who owned the corporation.

Mr. SPRECKELS. Yes.

The CHAIRMAN. About what proportion did you own—51 per cent?

Mr. SPRECKELS. That is practically what I have to-day.

The CHAIRMAN. How much did Mr. Mackay have—most of the balance?

Mr. SPRECKELS. We had most of the stock.

The CHAIRMAN. And Mr. Matthews had only a small interest?

Mr. SPRECKELS. Only a small interest.

The CHAIRMAN. You said just now that one of your brothers had become interested now in the Federal.

Mr. SPRECKELS. Since that time he has bought a stock interest.

The CHAIRMAN. Is the Federal still what you would call a close corporation? You know what I mean.

Mr. SPRECKELS. No; it is not.

The CHAIRMAN. How many stockholders have you?

Mr. SPRECKELS. I should say we have possibly 300 stockholders.

The CHAIRMAN. Are a majority of them large stockholders, or have you got many small stockholders?

Mr. SPRECKELS. The majority of them are small stockholders.

The CHAIRMAN. How many real considerable stockholders are there in the Federal Co. now?

Mr. SPRECKELS. I suppose the large stockholders own 80 per cent of it.

The CHAIRMAN. That is a very fair answer, I think. And outside of yourself, your brother is the principal stockholder?

Mr. SPRECKELS. No.

The CHAIRMAN. Who is the next largest stockholder to yourself?
Mr. SPRECKELS. The next largest, I think, is Mr. Mackay.
The CHAIRMAN. Is Mr. Mackay still alive?
Mr. SPRECKELS. Mr. Mackay is dead, but he was succeeded by his son, Mr. Clarence Mackay, and also Mr. William W. Cook, who is a corporation lawyer.
The CHAIRMAN. In New York here?
Mr. SPRECKELS. In New York.
The CHAIRMAN. He is a considerable owner, too?
Mr. SPRECKELS. He is a considerable owner.
The CHAIRMAN. Is he your attorney? I mean the attorney for the Federal?
Mr. SPRECKELS. In corporation matters only. Of course we have several attorneys for different purposes.
The CHAIRMAN. On transportation matters you hire one lawyer, and for corporation matters another lawyer, and so on?
Mr. SPRECKELS. Yes.
The CHAIRMAN. Just for the purpose of the record—we have required this of all the companies, and for that reason we should require it of you—will you give us practically the capitalization of the Federal?
Mr. SPRECKELS. Ten million.
The CHAIRMAN. Is it all common?
Mr. SPRECKELS. Approximately three and a half million preferred and six and a half million common.
The CHAIRMAN. What is the preferred worth on the board? Is it quoted on the stock exchange?
Mr. SPRECKELS. I think along about 93 or 95 or 96; somewhere along there. The transactions are very few.
The CHAIRMAN. It is a listed stock?
Mr. SPRECKELS. Yes.
The CHAIRMAN. And it is about 93?
Mr. SPRECKELS. In the nineties somewhere. I do not think there have been any transactions in it for a year or more.
Mr. CHAIRMAN. What is the common listed at? What is the usual quotation for common?
Mr. SPRECKELS. I saw a quotation the other day, the first time in a year, at 40. There are no transactions in it. It is what you might call a dead stock.
The CHAIRMAN. It is not a stock that is generally and ordinarily dealt in?
Mr. SPRECKELS. No.
The CHAIRMAN. In other words, the people who have it are pretty well satisfied with it?
Mr. SPRECKELS. Apparently.
The CHAIRMAN. And there are not many transfers of it?
Mr. SPRECKELS. Apparently not. As I say, I have not seen a transfer of the stock for a year.
The CHAIRMAN. To what extent, Mr. Spreckels, does this stock of the Federal represent real value; and when I say "real value," I will explain to you what I mean. What did it cost you gentlemen to put up this plant and acquire the various properties your company owns or controls?

Mr. SPRECKELS. Originally, the common stock was largely bonus. Mr. Mackay and myself put in the cash originally and took common stock for it.

The CHAIRMAN. What was the preferred stock issued for?

Mr. SPRECKELS. The preferred stock was issued for 95, I think.

The CHAIRMAN. And paid for in cash?

Mr. SPRECKELS. And paid for in cash; approximately, three and a half million dollars was paid in actual cash.

The CHAIRMAN. Since then have you invested anything?

Mr. SPRECKELS. We have invested, I should say, double that.

The CHAIRMAN. Double the amount you had put in?

Mr. SPRECKELS. We have taken out the profits and put them into the plant again.

The CHAIRMAN. Instead of declaring dividends?

Mr. SPRECKELS. We have never paid a dividend on the common stock.

The CHAIRMAN. Have you paid a dividend on the preferred stock?

Mr. SPRECKELS. From the time we started.

The CHAIRMAN. That is guaranteed?

Mr. SPRECKELS. Not guaranteed; it is cumulative, if that is what you mean.

The CHAIRMAN. No; that is not exactly what I mean. Sometimes, in some of these companies, it has been testified here that they guaranteed a certain per cent, particularly the beet companies, on the preferred stock for the purpose of procuring a ready market.

Mr. SPRECKELS. Who would guarantee it, the American Sugar?

The CHAIRMAN. No; the corporation itself. Of course, they could not guarantee it. I do not know whether the American Sugar would pay or not, but I mean the corporation would guarantee the payment of dividends on the preferred, provided they made it at all. In other words, that was to be paid if they made it at all.

Mr. SPRECKELS. Oh, yes.

The CHAIRMAN. Was that the condition with reference to the preferred?

Mr. SPRECKELS. No; that is not a condition.

The CHAIRMAN. Was that the policy?

Mr. SPRECKELS. That was the policy, and we have paid the dividend from the time we started up to the present time, and yesterday we declared another dividend.

The CHAIRMAN. What dividend do you pay?

Mr. SPRECKELS. Six per cent from the time we started. The people who put their money into it have received 6 per cent per annum as they went along.

The CHAIRMAN. Now, as I understand it, Mr. Spreckels, the people who have really put the money in, the actual cash, got preferred stock for their cash and the common stock as a bonus?

Mr. SPRECKELS. That is right.

The CHAIRMAN. And the preferred stock represents real value for every dollar?

Mr. SPRECKELS. Yes.

The CHAIRMAN. From the beginning?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. And of course the common stock has become valuable only as the company made money and put it in the business, and

that accounts for its present value. I suppose it was worth nothing at first.

Mr. SPRECKELS. It was worth nothing at first, but now it has value.

The CHAIRMAN. Since you have operated the company it has acquired some value?

Mr. SPRECKELS. In other words, the plant is worth more than double what money was originally put in.

The CHAIRMAN. According to the estimate you gave just now, the stock, both common and preferred, is worth something near par—the actual book value?

Mr. SPRECKELS. I think it is worth more.

The CHAIRMAN. I mean actual value in property and money and accounts and everything else.

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. Is it worth par—book value?

Mr. SPRECKELS. Close onto it.

The CHAIRMAN. And you started it in 1902?

Mr. SPRECKELS. 1902, I think. I do not recall the exact date. I can furnish it if it is of interest.

The CHAIRMAN. So that in nine years, from three and a half millions actually invested, you got it up to where it is really worth ten millions?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. Now, before I go into these other questions suggested by that answer, we will trace again the history of your relations, if you had any, with the American since you went into this business. When you came here in 1902 to establish the Federal Refining Co., with the partners you have named, and organized a corporation that was to operate it, did you meet any particular opposition or have any especial obstacles thrown in your way by the American or other existing sugar-refining companies?

Mr. SPRECKELS. The competition was very severe.

The CHAIRMAN. Competition for business?

Mr. SPRECKELS. Very.

The CHAIRMAN. Now, did your company have any particular trouble with the American, over and above what it would have expected to have from any business competitor who was actually and actively competing with it for business?

Mr. SPRECKELS. We have had lots of trouble. As to whether the American Sugar Refining Co. is the cause of it or not, I could not tell.

The CHAIRMAN. You have had lots of trouble?

Mr. SPRECKELS. We have had lots of trouble.

The CHAIRMAN. Do you mean trouble that you would not ordinarily anticipate in embarking upon a business venture?

Mr. SPRECKELS. That is the idea.

The CHAIRMAN. Now explain to us what this unusual, and to a certain extent unexpected, trouble was.

Mr. SPRECKELS. We have had the same trouble that we had when we started in Philadelphia. Then we had similar trouble.

The CHAIRMAN. Well, was it cutting prices?

Mr. SPRECKELS. Not alone cutting prices, but cutting machinery.

The CHAIRMAN. Cutting machinery?

Mr. SPRECKELS. Cutting machinery, breaking machinery, and all sorts of things of that kind.

The CHAIRMAN. Well, that is very interesting. Do you mean to say that somebody has actually——

Mr. SPRECKELS (interposing). I do not know who did it.

The CHAIRMAN. I understand you do not know who did it, but you do not know of anybody else who could have been interested in doing it, and you say your machinery has actually been damaged since you have been running that plant?

Mr. SPRECKELS. Not the machinery, because I took precautions as much as I possibly could, on account of my experience in Philadelphia.

The CHAIRMAN. On account of your experience in Philadelphia?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. What was there along that line? I did not catch that when we were going over it, because I did not know anything about it.

Mr. SPRECKELS. Machinery was constantly breaking where there was no cause for a break.

The CHAIRMAN. You mean in the Spreckels plant in Philadelphia, before you sold out to the trust?

Mr. SRECKELS. Yes; we would find things that were thrown into the machinery.

The CHAIRMAN. You would find things thrown into the machinery which would put the machinery out of plumb?

Mr. SPRECKELS. Yes. We had one instance in an elevator, during the night. They had broken down an elevator by putting in planks—planks being thrown into it.

The CHAIRMAN. Thrown into the running gear?

Mr. SPRECKELS. Thrown into the running gear. Now, they did not fall in there.

The CHAIRMAN. You think some one put them in?

Mr. SPRECKELS. Some one put them in there, and we never had any trouble with labor.

The CHAIRMAN. You had no labor troubles to account for that?

Mr. SPRECKELS. No.

The CHAIRMAN. Well, did those things continue to happen after you became partners with Havemeyer and the trust?

Mr. SPRECKELS. No; they ceased then.

The CHAIRMAN. They stopped then, and you never did have any more experiences like that at all after that time?

Mr. SPRECKELS. Never.

The CHAIRMAN. Until you left Philadelphia and came down here and started the Federal, and then those same troubles started again?

Mr. SPRECKELS. Yes; a great many similar to them.

The CHAIRMAN. Can you outline and specify a few of them for the benefit of the committee?

Mr. SPRECKELS. Yes; they would take our sugar liquors at night——

The CHAIRMAN (interposing). What is sugar liquor?

Mr. SPRECKELS. It is dissolved sugar.

The CHAIRMAN. Is it a big tank?

Mr. SPRECKELS. Big tanks.

The CHAIRMAN. What did they do to them?

Mr. SPRECKELS. They attached a hose to them and siphoned it off into the toilet to get it out into the sewer.

The CHAIRMAN. They emptied what was in your sugar tanks?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Did that happen many times?

Mr. SPRECKELS. Very often.

The CHAIRMAN. Finally, would you not put a guard there, or somebody to see who was doing that?

Mr. SPRECKELS. Well, we suspected a number. Very often things would go wrong. They would do things with the sugar itself. I have gone there and found rats in it. We had had so many complaints that one night I went up there at midnight——

The CHAIRMAN (interposing). Yourself?

Mr. SPRECKELS. Myself.

The CHAIRMAN. How soon was that after the establishment of the plant?

Mr. SPRECKELS. About a year.

The CHAIRMAN. Now, tell us what happened.

Mr. SPRECKELS. We had had so many complaints about dirt being in the sugar, and all kinds of things, dead rats, and I knew it was impossible for them to get in unless they were placed there, and one night I went up at midnight, and there were a lot of barrels just coopered up and ready for shipment, and I ordered them to open every barrel on the floor, and I found that practically every barrel was filled with all sorts of stuff in the top.

The CHAIRMAN. And the effect of that sort of business was absolutely to ruin your sugar after it got to your customers?

Mr. SPRECKELS. That is the idea. Now, who was back of it? I do not know.

The CHAIRMAN. Did you ever succeed in detecting any of the men who were doing this sort of work?

Mr. SPRECKELS. I took the men in charge at that time and ordered them out of the plant myself, and stayed there myself and took charge of it. They said they wanted their pay, and I suggested that they had better get their pay from the party who employed them to do the dirty work.

The CHAIRMAN. Did you ever prosecute anybody for these things, or could you get enough evidence to do that against any one individual?

Mr. SPRECKELS. No; I never could get the evidence, but in two instances an attorney has come down to my office and demanded pay for these men. I said we declined to pay them, and that my reason was that I suspected them, and I should hail with delight "if you will bring the matter into court so we can cross-examine these men and prove what their object was in destroying our sugar." They never prosecuted, and they never received their wages.

The CHAIRMAN. They never sued?

Mr. SPRECKELS. They never sued, and never attempted to collect their wages.

The CHAIRMAN. And you have not paid them to this day?

Mr. SPRECKELS. No.

The CHAIRMAN. And you would still welcome a suit, I suppose, to get a chance to cross-examine these men?

Mr. SPRECKELS. I would.

The CHAIRMAN. What attorney was it who came to see you?

Mr. SPRECKELS. I have forgotten his name. Some man from Brooklyn. Subsequently I heard indirectly that these same men were working for the Havemeyers & Elder Sugar Refining Co.

The CHAIRMAN. I wonder if that information is accurate or not.

Mr. SPRECKELS. That I can not say. It is purely hearsay.

The CHAIRMAN. In order to do everybody justice, these men who work in sugar refineries go around sometimes from one refinery to another?

Mr. SPRECKELS. Yes; they do.

The CHAIRMAN. And that might not necessarily prove anything?

Mr. SPRECKELS. No.

The CHAIRMAN. Because you might hire a man from the American plant, if he had had experience in the sugar business?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Was there an attorney or gentleman named Cochran, or does the name suggest or refresh your memory on that point?

Mr. SPRECKELS. I do not recall it; but I think possibly somebody in the office may recall the name.

The CHAIRMAN. Suppose you make a note of that and inquire in the office whether someone there remembers the name and let us know when you come back after lunch. I wonder if you could furnish also the names, unless you happen to remember them now—of the men you discharged on account of these things.

Mr. SPRECKELS. I will try to ascertain.

The CHAIRMAN. Of course, you can not recall them now. You would have to look that up?

Mr. SPRECKELS. Yes. I can not recall their names now.

The CHAIRMAN. That was about a year after you got the plant established. Has that kept up right along?

Mr. SPRECKELS. No, sir; it has not.

The CHAIRMAN. It kept up during the whole of the first year?

Mr. SPRECKELS. More or less.

The CHAIRMAN. More or less during the first year?

Mr. SPRECKELS. Yes; but I think we have had things so organized now that those things can not occur

The CHAIRMAN. Do you have guards?

Mr. SPRECKELS. Yes; and we have a sufficient number of trusted people.

The CHAIRMAN. You have built up a force of your own which you think is loyal to you and will not engage in that sort of business or permit others to do it?

Mr. SPRECKELS. Precisely.

The CHAIRMAN. So you are not now having troubles of that kind?

Mr. SPRECKELS. No.

The CHAIRMAN. Did you ever make any complaint about this to the American people?

Mr. SPRECKELS. No; I never had any connection with the American.

The CHAIRMAN. You could not get any evidence, and of course you did not know whether they had anything to do with it or not?

Mr. SPRECKELS. No.

The CHAIRMAN. Well, that is one way of having trouble. Did you have any more trouble except that?

Mr. SPRECKELS. Not that I recall.

The CHAIRMAN. I will see if I can not direct your attention to what I have in mind. When it came to buying raw sugar, did you have any unusual and extra severe competition, more than you would have expected?

Mr. SPRECKELS. No; not in that direction. We have always been able to buy our raw sugar at the world's price.

The CHAIRMAN. You have been able to buy your raw sugar at the world's price, with the duty added, and the freight added? Nobody could exactly help that, could they?

Mr. SPRECKELS. It is very doubtful.

The CHAIRMAN. It would take a tremendous amount of money to put up the price to you of raw sugar imported into this port?

Mr. SPRECKELS. There is only one price. They can only get it up to a certain price. They can not control the market of the world any more than a man can control the wheat market of the world.

The CHAIRMAN. Or control the tides of the ocean. Did you have any trouble in buying sugar in Louisiana? Did you ever try to buy sugar in Louisiana?

Mr. SPRECKELS. Yes; but we have never succeeded in getting any.

The CHAIRMAN. You have told us about the trouble in buying from the factors in Hawaii.

Mr. SPRECKELS. Yes.

The CHAIRMAN. And finally they would not listen to your prices, and would not agree to furnish you any sugar, no matter what you paid them. Did you make any effort to get sugar in Louisiana?

Mr. SPRECKELS. We did. I sent a boat down there, as the price was unusually low.

The CHAIRMAN. Was that during the panic of 1907?

Mr. SPRECKELS. I will have to look up the date for you. I am a little hazy on the date.

The CHAIRMAN. Well, suppose you look up the date of the Louisiana raw-sugar purchase.

Mr. SPRECKELS. I will give you the entire transaction on that.

The CHAIRMAN. I think maybe I can help you to some extent, if we have the same transaction in mind. Do you remember Mr. Burguieres?

Mr. SPRECKELS. I think that is his name.

The CHAIRMAN. Do you know him?

Mr. SPRECKELS. I have met him. I was not down there personally. I sent a representative there to buy the sugar.

The CHAIRMAN. Mr. Burguieres testified before our committee about a transaction in which he and his associates and close friends sold your company a good deal of sugar, 9,000 bags, I think, on one occasion, about half a ship load, and when he tried to get other people to fill up the cargo he could not do it, because they were afraid of the American Co., he thought.

Mr. SPRECKELS. We kept the vessel there for about a month endeavoring to get some sugar, but we were unable to get any more sugar.

The CHAIRMAN. This was the same transaction?

Mr. SPRECKELS. That is the only transaction we had. I finally ordered the vessel to come back.

The CHAIRMAN. Half ladened?

Mr. SPRECKELS. Yes. I do not think she was even half ladened. I have a photograph of the vessel. I wired down to photograph the vessel to show how they treated us and to come back.

The CHAIRMAN. Have you got that photograph?

Mr. SPRECKELS. I am trying to place it.

The CHAIRMAN. If you can locate it, will you show it to the committee?

Mr. SPRECKELS. I hope to locate it. I have had it in my office all these years, and a day or two before I left for Europe, two months and a half ago, the photograph disappeared.

The CHAIRMAN. The photograph disappeared?

Mr. SPRECKELS. Yes. I have been hunting for it since. I do not know where it is. I hope to find it. If not, I will try and get a duplicate from the photographer.

The CHAIRMAN. Now, you say that was not a successful venture?

Mr. SPRECKELS. It was not.

The CHAIRMAN. And you offered more than the American was paying then, did you not?

Mr. SPRECKELS. Yes; I believe we kept right on and raised the price very considerably.

The CHAIRMAN. Mr. Burguieres testified that you raised the price one thirty-second of a cent a pound, and in a normal market that ought to have given you the market?

Mr. SPRECKELS. If the price went up, I should say nearly three-eighths of a cent a pound. We kept bidding up.

The CHAIRMAN. You kept bidding up one thirty-second of a cent a pound over their bid?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And in a normal market that ought to have given you the market, ought it not?

Mr. SPRECKELS. It ought to.

The CHAIRMAN. However, it did not in this case?

Mr. SPRECKELS. No.

The CHAIRMAN. And you could not get the steamer or the ship completely loaded. I presume it was a sloop?

Mr. SPRECKELS. No; a steamer. We had about one-third of a cargo. I remember now that it was during the time of the panic, because I sent the money down there. I made arrangements to pay them in money down there.

The CHAIRMAN. The actual cash?

Mr. SPRECKELS. The actual cash, because I thought there might be a question as to the credit of the Federal, so I arranged to have the cash down there.

The CHAIRMAN. Instead of taking these clearing-house certificates you sent the actual, hard money down there?

Mr. SPRECKELS. I thought that might be the objection raised, and I had the money sent down.

The CHAIRMAN. And yet you could not buy it, although you offered a little more than the American did?

Mr. SPRECKELS. No.

The CHAIRMAN. Do you know how the country was for cash, in New York and New Orleans, at that time—at the time you raked up this cash? Was it pretty scarce?

Mr. SPRECKELS. I should call it very scarce with other people, but not with us.

The CHAIRMAN. You had plenty on hand?

Mr. SPRECKELS. We had plenty on hand.

The CHAIRMAN. But as a general proposition, it was pretty scarce throughout the country at the time they were issuing these clearing-house certificates?

Mr. SPRECKELS. Yes; they were issuing clearing-house certificates from one town to the other, and every little burg in the country established a clearing house, where they had sometimes only two banks, and dealt between themselves.

The CHAIRMAN. And you sent down the hard money, hoping that would produce the sugar and establish the credit of the Federal?

Mr. SPRECKELS. Yes.

The CHAIRMAN. You do not know whether the American used cash or not at that time? Have you any knowledge on that point?

Mr. SPRECKELS. That I do not know.

The CHAIRMAN. Well, since that experience in the time of the panic, have you made any attempt to invade the Louisiana market for raw sugar?

Mr. SPRECKELS. No. I would say that they have frequently advised me to come down and buy sugars of them. They have said that they were better off; that they had more backbone. I said, "That may be, but I am inclined to think you are a little weak in the knees." They may have the backbone, but they are weak in the knees.

The CHAIRMAN. Have you had any more negotiations with Mr. Burguieres?

Mr. SPRECKLES. No.

The CHAIRMAN. He seemed to have some little nerve and backbone in this transaction with you, did he not?

Mr. SPRECKELS. He did what he could.

The CHAIRMAN. He did his best?

Mr. SPRECKELS. He did his best.

The CHAIRMAN. Now, when it comes to selling refined sugar, do you buy any Louisiana sugar now that is brought here and sold f. o. b. New York?

Mr. SPRECKELS. There is none brought here for sale.

The CHAIRMAN. If you will pardon me for telling you something—because I want you to be familiar with the record as we go along, so you can give us your views on it—this same Mr. Burguieres, who seems to be a very intelligent man and a leader among those folks there, testified before us that since that time, not being satisfied with the treatment by the American people and their prices always, he had gotten a boat, and had done it at least two years, and shipped his sugar up here to New York, selling it to the Arbuckle people f. o. b. New York; in other words, delivering it to them in New York. Do you have any knowledge of that or do you know anything about it?

Mr. SPRECKLES. I do not recall anything being offered to us in that way. There have been sugars offered to us f. o. b. New Orleans and we to furnish the cargo, but we can not send a vessel down there for 1,000 tons when the vessel carries 5,000 or 6,000 tons.

The CHAIRMAN. And the largest offer was 1,000 tons?

Mr. SPRECKELS. Possibly not as much as that.

The CHAIRMAN. In other words, they never offered a full cargo?
Mr. SPRECKELS. No, sir.
The CHAIRMAN. And you can not afford to send a vessel to take a light cargo?
Mr. SPRECKELS. There is no advantage, then, in paying the price.
The CHAIRMAN. Because you lose on the transportation; is that the idea?
Mr. SPRECKELS. That is the idea.
The CHAIRMAN. Now, on this transaction, when you got a steamer from a half to a third loaded, did you lose money on that transaction?
Mr. SPRECKELS. I think we did.
The CHAIRMAN. You think the sugar cost you more than you anticipated for that reason?
Mr. SPRECKELS. I think there was some advance. There happened to be some advance in the market in the price of sugar.
The CHAIRMAN. But under normal conditions?
Mr. SPRECKELS. Under normal conditions we should have lost three-fourths of the freight.
The CHAIRMAN. Of course, when a man buys sugars, as I understand it, he takes the risk of the rise and fall of the market and, of course, that might mean a loss where otherwise there would be none.
Mr. SPRECKELS. Yes; but the actual loss is the expense of the freight.
The CHAIRMAN. The actual loss is the large amount of money it costs you to transport under those circumstances; that is right, is it not?
Mr. SPRECKLES. That is right.
The CHAIRMAN. Now, it seems from what you tell us that when you undertook to buy in Hawaii you had unusual difficulties; when you undertook to buy in Louisiana you had unusual difficulties. Have you experienced any other unusual difficulties in buying elsewhere?
Mr. SPRECKELS. Nowhere else.
The CHAIRMAN. I suppose in Cuba you have as fair a chance as anybody else?
Mr. SPRECKELS. Just as well as anyone else.
The CHAIRMAN. And of course the same thing is true of Java?
Mr. SPRECKELS. Yes; or Europe, or anywhere else.
The CHAIRMAN. Now, when it comes to the question of disposing of the refined sugar, the product of your refinery——
Mr. SPRECKELS (interposing). We have no difficulty.
The CHAIRMAN. How do you handle that?
Mr. SPRECKELS. Through brokers.
The CHAIRMAN. Through sugar brokers?
Mr. SPRECKELS. Through sugar brokers.
The CHAIRMAN. And they dispose of the refined sugar to the wholesale grocers?
Mr. SPRECKELS. To the wholesale grocers.
The CHAIRMAN. They sell to the grocers—or buy for them, is a better way to put it?
Mr. SPRECKELS. Yes; they buy for them.
The CHAIRMAN. And they have a sugar-brokers' association?
Mr. SPRECKELS. Yes.

The CHAIRMAN. Both refined and raw sugar brokers, or are they all together?

Mr. SPRECKELS. They are all together.

The CHAIRMAN. Can you tell us, because you must have a most intimate acquaintance with that organization, what the object of that association is? Is it to protect their own brokerage fees, or what is it? What do they have that association for? What is the object of it and the purpose of it?

Mr. SPRECKELS. As near as I can understand, it is good-fellowship.

The CHAIRMAN. A social organization, to some extent?

Mr. SPRECKELS. More or less social.

The CHAIRMAN. And, of course, I suppose it tends, like a lawyers' association or a doctors' association, to keep them from unduly cutting brokerage?

Mr. SPRECKELS. Yes; I understand that is one of the rules of the association, that they must not cut the brokerage.

The CHAIRMAN. And outside of that, they have no relation or care about the price or keeping up the price or anything else?

Mr. SPRECKELS. No.

The CHAIRMAN. You know what the factor's agreement with the merchants is?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Does the Federal maintain such a system as that?

Mr. SPRECKELS. It never has.

The CHAIRMAN. Does the Federal ever sell to the retailer?

Mr. SPRECKELS. Sometimes, but the policy is to sell to wholesalers.

The CHAIRMAN. That is necessary in order to keep from incurring the hostility of the wholesale grocers, is it not?

Mr. SPRECKELS. Well, it is more convenient to do the business in that way.

The CHAIRMAN. It is a better method of distribution?

Mr. SPRECKELS. It is a better method, and they buy in larger quantities.

The CHAIRMAN. And you can find your customers easier?

Mr. SPRECKELS. And their credit is better, and it is an easier way of doing business.

The CHAIRMAN. Mr. Lowry, who is one of your employees, as I understand it, testified before this committee in Washington that there was an 18-cent differential on the freight rate in Georgia, for instance. I was particularly interested in that testimony. Is that right, or do you understand the details of that?

Mr. SPRECKELS. Well, in reference to those things I would rather you would call upon our traffic manager.

The CHAIRMAN. He would also be familiar with the details of this lighterage situation here in New York?

Mr. SPRECKELS. Absolutely.

The CHAIRMAN. Would you give us his name and address?

Mr. SPRECKELS. F. W. Richardson, 138 Front Street.

The CHAIRMAN. Now, I will ask you some general questions. What controls the territory within which a sugar refinery can do a profitable or a reasonably profitable business?

Mr. SPRECKELS. What controls the territory?

The CHAIRMAN. Yes; the extent of territory. For instance, how far can you go west with your sugars?

Mr. SPRECKELS. I should say competition controls it.

The CHAIRMAN. Well, competition controls it, and do freight rates have any effect on it?

Mr. SPRECKELS. Freight rates enter into the competition.

The CHAIRMAN. In other words, freight rates determine how far you can compete?

Mr. SPRECKELS. How far you can go.

The CHAIRMAN. How far can an eastern refinery, located at New York or Boston or at Philadelphia, go west, in your judgment, and meet beet-sugar competition?

Mr. SPRECKELS. By rail?

The CHAIRMAN. Yes.

Mr. SPRECKELS. To the Missouri River.

The CHAIRMAN. How far south can they go to meet New Orleans, with a reasonable profit?

Mr. SPECKLES. Some parts—in the northern part of Georgia; that is about the line.

The CHAIRMAN. And right down through the middle of the State of Georgia?

Mr. SPRECKELS. Yes; and the coast line.

The CHAIRMAN. That is about the dividing line where he can afford to meet New Orleans?

Mr. SPRECKELS. That is about the dividing line.

The CHAIRMAN. How is this country west of this line that runs through Georgia and west of the Missouri River supplied with sugar—from where?

Mr. SPRECKELS. From San Francisco in cane sugars.

The CHAIRMAN. And during the beet season?

Mr. SPRECKELS. During the beet season from the beet-sugar factories.

The CHAIRMAN. Give us your opinion as to whether or not as a commercial proposition sugar ought not to be cheaper in Detroit, Mich., say, than it is in Savannah, Ga., just to illustrate, during the beet-sugar season.

Mr. SPRECKELS. Why, decidedly.

The CHAIRMAN. Why?

Mr. SPRECKELS. Because the freight rate would be higher.

The CHAIRMAN. So that if the price level is maintained between those two places the Michigan sugar people must add the freight rate to their prices?

Mr. SPRECKELS. Yes.

The CHAIRMAN. In other words, they must make the consumer pay freight on sugar that never travels a mile?

Mr. SPRECKELS. Yes; and on which they never paid freight, and so it is in Colorado and Utah.

The CHAIRMAN. And every one of these beet-sugar points?

Mr. SPRECKELS. Every one of the points; yes.

The CHAIRMAN. Mr. Spreckels, is there any reason why sugar should be higher to the consumer on the Pacific coast than on the Atlantic coast?

Mr. SPRECKELS. There is a reason.

The CHAIRMAN. What is that reason?

Mr. SPRECKELS. If you can find the reason, there is a reason for it.

The CHAIRMAN. What is it?

Mr. SPRECKELS. My idea is there is a combination.

The CHAIRMAN. And that the combination is the reason?

Mr. SPRECKELS. That is the reason.

The CHAIRMAN. Now, tell us how it works to make it that way.

Mr. SPRECKELS. I think they are all one and the same thing.

The CHAIRMAN. Who are all one and the same thing?

Mr. SPRECKELS. The beet people and the refiners and everybody connected with it. They are so interwoven that it makes no difference. They catch them both going and coming. There is no reason why sugar in San Francisco and in California should be selling for a cent a pound more than it does on the Missouri River.

The CHAIRMAN. Well, does it sell for a cent a pound more?

Mr. SPRECKELS. Generally. Not now, not since last year.

The CHAIRMAN. Your brother, John D. Spreckels—and of course I am not inviting any conflict between the testimony of two brothers, but I am simply calling your attention to a statement he made—your brother, Mr. John D. Spreckels, and you do not agree entirely. He said that as a general rule the average price of sugar at San Francisco was 40 points above what it was in New York; at the time he was testifying a week or so ago he gave that as an average. Would you say that is about right?

Mr. SPRECKELS. No; I would say the average was 1 cent, and it has been as high as 2 cents.

The CHAIRMAN. By 40 points he meant four-tenths of a cent?

Mr. SPRECKELS. Yes; four-tenths of a cent. But I have known it to be 2 cents higher than the New York price, notwithstanding they were shipping their surplus product to the Missouri River.

The CHAIRMAN. And meeting New York competition?

Mr. SPRECKELS. And meeting New York competition.

The CHAIRMAN. And selling it a great deal cheaper at Missouri River points than they were on the coast, right at San Francisco?

Mr. SPRECKELS. Precisely; and up to quite recently you will find that they made a different price in every city.

The CHAIRMAN. Does the American Sugar Refining Co. and its allied and subsidiary companies, in your opinion, make any territorial division among each other?

Mr. SPRECKELS. In my opinion, yes, sir.

The CHAIRMAN. Now, will you explain to us how that works, in your judgment? I believe you have a very intimate knowledge of this whole thing.

Mr. SPRECKELS. Well, I believe there is a division of the spoils, as you might call it. I believe each one of the beet factories and the refineries—they all take their proportion.

The CHAIRMAN. They take their proportion of production or of territory?

Mr. SPRECKELS. Proportion of the amount of sugar to be sold on the Pacific coast at the higher price. My reason for stating that, if I may be allowed to go on——

The CHAIRMAN (interposing). I wish you would give us your reasons; yes.

Mr. SPRECKLES. I know of my own knowledge that people wanted to buy sugar in California, and they were told by the Honolulu Plantations Co. that they were very sorry they could not give them

any more, because they had already sold more than their proportion in California—more than their allotment.

The CHAIRMAN. Who was the man that made that statement, Mr. Spreckles?

Mr. SPRECKELS. The president of the Honolulu sugar factory.

The CHAIRMAN. What is his name?

Mr. SPRECKELS. John A. Buck.

The CHAIRMAN. Will you give the stenographer his address, if you know it?

Mr. SPRECKELS. Well, I do not know it. He is president of the Honolulu Plantations Co.

The CHAIRMAN. I suppose that would identify him.

Mr. SPRECKELS. Yes. I can furnish you his address later, if you desire.

Mr. MADISON. He lives in San Francisco, does he not?

Mr. SPRECKELS. He lives in San Francisco.

The CHAIRMAN. When did he make that statement?

Mr. SPRECKELS. He made that statement about a year and a half ago. I met him one day casually on the street.

The CHAIRMAN. Where?

Mr. SPRECKELS. In San Francisco. I was there at the time, and in the course of the conversation he was telling me how well they were doing with their sugar refinery now, that they were making a great deal of money. The price at that time was about a cent a pound higher than it was in New York.

The CHAIRMAN. About a cent a pound higher in San Francisco?

Mr. SPRECKELS. Yes; and I said "No wonder, with a cent a pound margin more, and buying your sugars at a quarter of a cent a pound cheaper," because the contract with the Factors Co. is a quarter of a cent a pound cheaper than the New York price.

The CHAIRMAN. It is? Why, some of them testified it was the same thing and that the prices were determined by the New York price, and they paid absolutely the same thing.

Mr. SPRECKELS. It is not.

The CHAIRMAN. It is a quarter of a cent a pound cheaper?

Mr. SPRECKELS. It is.

The CHAIRMAN. You are positive on that point?

Mr. SPRECKELS. I am.

The CHAIRMAN. How do you know that?

Mr. SPRECKELS. I have seen the contracts.

The CHAIRMAN. Who is the contract between?

Mr. SPRECKELS. I think I can furnish you the contracts; copies of them.

The CHAIRMAN. I would be very glad to have those contracts, because they have testified just the reverse of that. One of my colleagues suggests that they made that admission. Of course, I do not want to do anybody an injustice, and if I am wrong about it, the record will be the vindication.

Mr. SPRECKELS. I know it is a fact.

The CHAIRMAN. And you think you can furnish us that contract?

Mr. SPRECKELS. I think I can furnish you a copy of it.

The CHAIRMAN. Now, go on and tell us about this conversation. You told him it was no wonder?

Mr. SPRECKELS. Yes; and he said——

The CHAIRMAN (interposing). What is the freight from New York to Frisco on sugar?

Mr. SPRECKELS. By rail?

The CHAIRMAN. Yes.

Mr. SPRECKELS. I think it is $1.10.

The CHAIRMAN. And rail and water, the cheapest combination, would not put it under $1?

Mr. SPRECKELS. Yes; by water you can get it for very much less.

The CHAIRMAN. How much less, substantially?

Mr. SPRECKLES. Substantially, $8 or $9 a ton; about half a cent a pound.

The CHAIRMAN. Now, you said to him, "No wonder, you are getting your sugar cheaper and selling it higher."

Mr. SPRECKELS. He said, "Yes; but we can not sell all of our product at that cent advance." I said, "Why not?" He said, "Recently there was a party who wanted to buy some sugar, but we have already sold our proportion, and we have got to wait and sell the balance away."

The CHAIRMAN. Wait for whom?

Mr. SPRECKELS. Until the other people had caught up.

The CHAIRMAN. You mean the other people allied with this interest?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Who were the other people who had to catch up?

Mr. SPRECKELS. Well, I imagine it was the Western, and the California, and the Hawaiian.

The CHAIRMAN. The two cane-refining plants?

Mr. SPRECKELS. Yes. Immediately following that I met a buyer who told me, speaking of the sugar condition, "I never patronize the Western Co. if I can help it." I said, "Why not?" He said, "Because I do not like them." I said, "Where do you trade?" He said, "I trade mostly from the Honolulu or the Hawaiian Sugar Co., but sometimes I have to go there, because, for instance, the other day I wanted to buy some sugar from Mr. Buck"——

The CHAIRMAN (interposing). He is president of the Honolulu Plantations Co.?

Mr. SPRECKELS. Yes. "But I was informed that they had already sold more than their proportion."

The CHAIRMAN. And therefore could not sell him any more?

Mr. SPRECKELS. And therefore could not sell him any more, and they would have to apply elsewhere.

The CHAIRMAN. What is the name of that man?

Mr. SPRECKELS. Lewis Saroni, of San Francisco.

The CHAIRMAN. Could you give us his address now?

Mr. SPRECKELS. I could not give you his address now.

The CHAIRMAN. Will you make a little memorandum of that and supply it later?

Mr. SPRECKELS. Yes.

The CHAIRMAN. One of my colleagues suggests this question, and I will put it to you just as leading and direct as I can: Was the effect and substance of Mr. Saroni's statement to you that the Honolulu Plantations Co. had sold more than its proportion or allotment, or that it had oversold?

Mr. SPRECKELS. No, sir; he had sugar. He said they had plenty of sugar to sell.

The CHAIRMAN. And they were not oversold, but had sold more than their allotment?

Mr. SPRECKELS. Yes; and he said that the sugars they had on hand they were obliged to send on to the Missouri River.

The CHAIRMAN. And he did not like that much, did he?

Mr. SPRECKELS. Evidently not.

The CHAIRMAN. Because he got a good deal lower price at the Missouri River point?

Mr. SPRECKELS. I should say about a cent and a half less, because he had to pay the freight.

The CHAIRMAN. And it was at least a cent a pound lower?

Mr. SPRECKELS. It would make a difference, I suppose, of a cent and a half. That leads me to the conclusion that I think there is a combination, because I do not see how they can maintain prices in California a cent a pound higher.

The CHAIRMAN. Well, Mr. Spreckels, I will ask you this question, taking you as an experienced sugar-business man, it would be impossible for them to do that unless the California-Hawaiian Sugar Co., the Honolulu Plantations Co., and the Western Refining Co., and to some extent the beet people were either in direct combination with each other or had what is called a gentlemen's agreement, one or the other? I say, those conditions would be impossible unless one or the other of those things was true?

Mr. SPRECKELS. It must be true.

The CHAIRMAN. One or the other must be true?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Have you any other reasons you can give the committee on which you base that opinion, any other specifications that you happen to know about?

Mr. SPRECKELS. Well, as a matter of interest, I was out there last summer——

The CHAIRMAN (interposing). At San Francisco?

Mr. SPRECKELS. At San Francisco. A gentleman came into my office, and I asked him whether he would do me a little favor. Speaking of sugar, he wanted to know how the sugar business was, and I said that I thought well of the sugar business, and I would like to buy. "Will you ring up for me the Hawaiian Sugar Co.?" He said, "What do you wish?" I said, "I want to buy 10 cars of sugar for the Missouri River." He said, "I will do that." I said, "You know the people?" And he said, "Yes." "Well, ring them up." He rang them up, and he said, "What is the price?" and they quoted the price on the Missouri River, and he said, "How much freight rate is it?" and they said, "Fifty-five cents." He said, "Very well, I will take 10 cars from you, but I will take it here and I will pay my own freight." They said, "Oh, no, you can not do that. We will not sell it that way."

The CHAIRMAN. Why would they not sell it that way?

Mr. SPRECKELS. He said "We will deliver it to you and prepay the freight, but we won't sell it to you in this market."

The CHAIRMAN. Does the Federal prepay its freight?

Mr. SPRECKELS. Always; but that is a matter of convenience. I would rather not pay the freight. When we make a price, we make it universal to everybody, and the same price all over the country.

The CHAIRMAN. Now, let me suggest to you that it is possible that the American may prepay the freight for exactly the same reason you do.

Mr. SPRECKELS. But I am perfectly willing, if a man wants to buy sugar for Chicago——

The CHAIRMAN (interposing). You will let him pay it if he wants to?

Mr. SPRECKELS. Yes. I am perfectly willing he should pay the freight, and sell it to him less the freight. It is no pleasure for us to prepay the freight.

The CHAIRMAN. You do it as a matter of convenience, unless the request is otherwise?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And if somebody wants to buy sugar from the Federal and wants to pay the freight at the other end of the line, you are perfectly willing they should do that?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Now, you say it was apparent from this transaction or occurrence that you mentioned in San Francisco, through a friend of yours, that they will not do that out there?

Mr. SPRECKELS. They won't do it. Now, there can only be two objects for that. One object is they will interfere at a lesser price in the California market, or the other object is they are getting a rebate on the freight.

The CHAIRMAN. And one of those conclusions is inevitable?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Let me see if I understand that. What do you mean by "they will interfere at a lesser price in the California market?"

Mr. SPRECKELS. Or rather, they will interfere with the California higher price.

The CHAIRMAN. In other words, the buyer might not ship it?

Mr. SPRECKELS. He might not ship it, and that is what they are afraid of.

The CHAIRMAN. In other words, if a man at San Francisco bought it and said he wanted to ship it to Kansas City——

Mr. SPRECKELS (interposing). He might change his mind and keep it.

The CHAIRMAN. And that would break the price there?

Mr. SPRECKELS. Yes; that is the idea.

Mr. MADISON. Just state those two propositions again, please, that either one of two things are true. I did not hear you clearly, and I was trying to.

Mr. SPRECKELS. As to prepaying the freight, the only reason they would not allow the purchaser to pay the freight must be that possibly the railroads were giving a rebate to the refiner; that is one conclusion. The other conclusion is that they were afraid that the purchaser might change his mind and not send it to Kansas City, but keep it and interfere with a higher price in the California market.

Mr. MADISON. So I may understand that clearly; they always insist, the California people do, on prepaying the freight?

Mr. SPRECKELS. Precisely, and will not sell it if the purchaser will prepay the freight.

Mr. MADISON. In other words, they have got to control the shipment?

Mr. SPRECKELS. They will not give him the privilege of paying the freight.

Mr. MADISON. They must control the shipment?

Mr. SPRECKELS. That is the idea.

The CHAIRMAN. And the difference between your position and their position is that you will let anybody have sugar and pay the freight themselves, if they want to, although your practice is otherwise for convenience?

Mr. SPRECKELS. We would prefer it.

The CHAIRMAN. You would prefer that they paid the freight rates, but to aid your customers and treat them like other refiners you usually prepay the freight in the absence of a request to the contrary?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. Now, this is extremely interesting. Can you add any other specific instance that happens to come into your mind right along this point?

Mr. SPRECKELS. I can not at the moment.

The CHAIRMAN. Mr. Spreckels, I understood you to say just now that so far as this lighterage business is concerned, that the details of it you would prefer us to get from your traffic manager; that he could give us more definite and precise information about the details of how these things work here?

Mr. SPRECKELS. I would rather he would tell you about that.

The CHAIRMAN. I wondered, though, and I still wonder, if you could not, in a general way, give us a sort of outline, in answer to some questions; in other words, I will make the attempt, and if the questions are such that you do not think you can answer them with any reasonable degree of accuracy, you need not undertake it.

As I understand the lighterage business, the big sugar people, outside of the Federal, in New York Harbor and around New York Harbor, have this sort of arrangement with the railroads. For instance, the Arbuckles deliver their sugar to the various railroad wharves through whom they are distributing sugar, with the understanding that these railroads, each of them, are to allow them 4½ cents per hundred, I believe it is.

Mr. SPRECKELS. Yes.

The CHAIRMAN. Of the freight rate on all sugars that travel as far as Buffalo and points west; is that the idea?

Mr. SPRECKELS. They allow them 4½ cents for lighterage to deliver the sugar from the refinery to the terminals of the railroad.

The CHAIRMAN. Out to Buffalo, and maybe 6 cents, or something more than that——

Mr. SPRECKELS (interposing). No; I think 4½ cents is the limit.

The CHAIRMAN. It is uniform now?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. They have changed that in some respects recently?

Mr. SPRECKELS. I think so.

The CHAIRMAN. In other words, 4½ cents is allowed these sugar refineries for the lighterage of the sugar?

Mr. SPRECKELS. Yes; to all but the Federal.

The CHAIRMAN. Now, let me ask you this question: As a considerable business man in New York, do the railroad companies generally pay the lighterage charges for a man shipping paper bags, say?

Mr. SPRECKELS. Yes.

The CHAIRMAN. They lighter from his factory to their wharves—do they pay it?

Mr. SPRECKELS. They pay it to anybody, I believe.

The CHAIRMAN. Do they pay as much, or anything like as much?

Mr. SPRECKELS. Anything within the lighterage limits, I believe, they do allow 4⅛ cents for delivery over to Jersey City over at their terminals.

The CHAIRMAN. You say within the lighterage limits?

Mr. SPRECKELS. In other words, take, for instance, the American Sugar Refining Co., which have their plant located in Brooklyn, and they have to deliver, say, to the Erie Railroad. They have no terminals over there, but they have a terminal over in Jersey. Now, the railroad allows them 4⅛ cents for bringing it over there. Of course, in the case of the American Sugar Refining Co. they do not do the transporting. The Brooklyn Eastern District Terminal, which is owned by the Havemeyers, does that, and they receive 4⅛ cents.

The CHAIRMAN. For that work?

Mr. SPRECKELS. Yes. That leads me to the opinion that I still believe there is an affiliation between the American Sugar Refining Co. and Mr. Havemeyer at the present day, because I would be delighted to give the American Sugar Refining Co. a cent a hundred for the service of doing that business in order to collect the 4⅛ cents.

The CHAIRMAN. You would like to do it for your own refinery?

Mr. SPRECKELS. I would like to do it. I am satisfied they could do it for 2⅛ cents, and yet they pay Mr. Horace Havemeyer 4⅛ cents.

The CHAIRMAN. Would the fact that the Havemeyer estate still has a potential interest in the various beet-sugar companies—I am going to ask you a hypothetical question, and you can give me your opinion on it—if it be true in point of fact that the Havemeyer estate still has a potential interest in the beet companies, and still has a potential interest in the California-Hawaiian Sugar Co., out on the coast, and were in a position therefore to create a tremendous trade rumpus in sugar if they wanted to, would that, in your opinion, be a reason why they might agree to this charge here?

Mr. SPRECKELS. Possibly. It may be a matter of policy on their part, "All right; we will pay you so much to keep the peace."

The CHAIRMAN. Now, what I am trying to get at, if a man is engaged in any sort of business outside of sugar, within what is known as the lighterage district, as I understand, each and every railroad will give the lighterage charges for bringing his stuff to them, whether he does the lighterage himself or employs some one else to do it.

Mr. SPRECKELS. They allow it.

The CHAIRMAN. Therefore, sugar apparently has no discrimination in its favor on that point.

Mr. SPRECKELS. I do not think so.

The CHAIRMAN. I mean considering sugar as a class of freight.

Mr. SPRECKELS. Anybody else can get it in other lines of industry.

The CHAIRMAN. Is there any real discrimination now on account of the way the lighterage district is bordered?

Mr. SPRECKELS. Yes; to my mind, decidedly. I will furnish you with a chart, and I would rather our traffic manager should testify about that. He would be glad to give you all this information.

The CHAIRMAN. For precise, accurate information, we will rely on what he says; but, in a general way, could you not tell us what the situation is?

Mr. SPRECKELS. Well, I think it would be easier to deliver sugar from Yonkers, taking it down from Yonkers over to Jersey, than it would be from Mott Haven.

The CHAIRMAN. What plant delivers from Mott Haven?

Mr. SPRECKELS. I simply mention that because that is within the lighterage district.

The CHAIRMAN. In other words, the lighterage district is an arbitrary territorial district?

Mr. SPRECKELS. An arbitrary district established by the railroads.

The CHAIRMAN. And if an industry happens to be 1 foot on the other side of the line, they do not get it?

Mr. SPRECKELS. They do not get it if it is on the other side by 1 foot.

The CHAIRMAN. When were these limits established?

Mr. SPRECKELS. I do not know. I would refer you to the traffic manager.

The CHAIRMAN. How many sugar refineries are located within the limits of the lighterage district?

Mr. SPRECKELS. All except one plant of the National at Yonkers, and the Federal at Yonkers.

The CHAIRMAN. All of them except one plant of the National and the Federal?

Mr. SPRECKELS. Yes; I might state that the National at Yonkers have never made any effort to join with us in trying to get it.

The CHAIRMAN. Have you tried to get the National to do that?

Mr. SPRECKELS. We have frequently spoken to them about it. They are indifferent. They say it is a small house.

The CHAIRMAN. What do they say when you try to get them to aid you in a mutual fight on that point?

Mr. SPRECKELS. They do not say anything.

The CHAIRMAN. They would not even talk to you about it?

Mr. SPRECKELS. I have never talked with them. Our traffic manager has talked with them about it.

The CHAIRMAN. Have you ever talked to them personally?

Mr. SPRECKELS. Not personally.

The CHAIRMAN. Have you ever conferred with Mr. Post about it?

Mr. SPRECKELS. I do not think I ever have.

The CHAIRMAN. And whatever negotiations were had with the National——

Mr. SPRECKELS (interposing). Were handled through the traffic department; but it seems rather strange that they would not join with us.

The CHAIRMAN. Yes, it does; and that is the reason I wanted to inquire into that. How far are you from the literage line up that way?

Mr. SPRECKELS. About 2 miles.

The CHAIRMAN. Is the National nearer to it than your are, or farther from you?

Mr. SPRECKELS. We are about half a mile over the New York City line. We are nearer than the National.

The CHAIRMAN. Nearer to the lighterage line than the National?

Mr. SPRECKELS. Yes; by 1,000 feet.

The CHAIRMAN. Practically, it is the same distance, then, as that does not make much difference in lighterage. Are there points within this lighterage district that are farther from many of the railroad terminals than your refinery is?

Mr. SPRECKELS. Farther? No; none.

The CHAIRMAN. I understood you to say just now that it would be cheaper and more expeditious to deliver sugar by lighterage from the Yonkers factory than it is to deliver sugar from some points within this lighterage district to some of the railroads.

Mr. SPRECKELS. No; I do not know about sugar. My contention is that it is just as easy to deliver it from Yonkers as from the Havemeyers & Elder Sugar Refining Co.

The CHAIRMAN. And no more expensive?

Mr. SPRECKELS. And no more expensive.

The CHAIRMAN. And no more reason why they should pay it in one case than in the other?

Mr. SPRECKELS. None that I can see.

The CHAIRMAN. We happen to know, because it is a matter of public knowledge and it has been referred to during this hearing, that finally this condition appealed to you gentlemen as being so unfair that you brought a suit, or, possibly, "proceding" would be a better word, before the Interstate Commerce Commission.

Mr. SPRECKELS. We did.

The CHAIRMAN. Against whom did you bring those proceedings? Against the American Sugar Refining Co.?

Mr. SPRECKELS. Against the railroads.

The CHAIRMAN. You charged them with discrimination against you?

Mr. SPRECKELS. With discrimination.

The CHAIRMAN. Through this lighterage business?

Mr. SPRECKELS. Yes.

The CHAIRMAN. That suit is now pending?

Mr. SPRECKELS. It was decided.

The CHAIRMAN. It was decided by the Interstate Commerce Commission in your favor?

Mr. SPRECKELS. Yes, sir; and the railroads appealed to the Commerce Court.

The CHAIRMAN. And got a temporary restraining order pending a hearing before that court?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And it is still pending in that court?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Is it liable to come up any time soon?

Mr. SPRECKELS. I do not know.

The CHAIRMAN. But it is now pending under that temporary restraining order?

Mr. SPRECKELS. That happened while I was away, and I am not familiar with it.

The CHAIRMAN. Do you happen to know—you seem to have a pretty wide acquaintance with the business of our country, whether this lighterage system is practiced by the railroads in any other city on the continent?

Mr. SPRECKELS. I believe it is. I rather prefer that you should inquire of our traffic manager about that.

The CHAIRMAN. For instance, in San Francisco, do you happen to know whether lighterage is allowed?

Mr. SPRECKELS. I do not know.

The CHAIRMAN. If they are allowing 4⅛ cents to Arbuckle, through his Jay Street terminal——

Mr. SPRECKLES (interposing). Which is Arbuckle?

The CHAIRMAN (continuing). And to the American, through the Havemeyer estate, which is more or less allied with it in some ways, does that give them any advantage over you in the territory they can reach out and send their sugars to?

Mr. SPRECKELS. To the extent of 4⅛ cents—the extent of the lighterage.

The CHAIRMAN. It would probably cost you 2 cents to perform that lighterage?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And that would give them an advantage of 2⅛ cents?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Is that a material and distinct advantage in the distribution of sugar?

Mr. SPRECKELS. Certainly; that is about 50 cents a ton, or 40 cents a ton. At Yonkers we turn out 1,250 tons, and 40 cents per ton would be five or six hundred dollars a day.

The CHAIRMAN. Looking at it from another angle, does that affect to any considerable and material degree the extent of territory in which you can operate and do business?

Mr. SPRECKELS. No, I think not; because our price is universal. We have to meet that condition.

The CHAIRMAN. In other words, you have to pocket that loss, or they have that much advantage?

Mr. SPRECKELS. They have that advantage.

The CHAIRMAN. And that is why you contended it was a discrimination in your interstate commerce proceeding?

Mr. SPRECKELS. That is it.

The CHAIRMAN. You have to lighter your stuff by contract?

Mr. SPRECKELS. We do.

The CHAIRMAN. What does it cost you from Yonkers? I think that is in the record, but I will ask you that question.

Mr. SPRECKELS. I think it is 3 cents, but I think it might be done for 2½ or 3 cents.

The CHAIRMAN. And they get 4⅛ cents allowance?

Mr. SPRECKELS. They get 4⅛ cents allowance.

The CHAIRMAN. The American Co., if the Havemeyer estate be considered for the purpose of this question as a part of the American, and Arbuckle, if his Jay Street terminal is really an American

institution, get what amounts to a reduction of 4⅛ cents? I am asking this for the benefit of my colleagues.

Mr. GARRETT. I understand, upon the assumption that Havemeyers are not the American Sugar Refining Co. now——

The CHAIRMAN (interposing). Of course if the Havemeyers get this entirely independent of the American Sugar Refining Co. and pay more than you, they are at that much disadvantage themselves?

Mr. SPRECKELS. Yes; they themselves are at a disadvantage.

The CHAIRMAN. Even if they put themselves voluntarily in that position?

Mr. SPRECKELS. That is true.

The CHAIRMAN. And your idea is plenty of other lighterage companies would do it cheaper than the Havemeyer estate are doing it for them?

Mr. SPRECKELS. They would.

The CHAIRMAN. Because they carry your stuff themselves a longer distance for a much smaller rate?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Mr. Spreckels, how is the price of sugar fixed in the United States? For instance, how do you fix the price of refined sugar from day to day?

Mr. SPRECKELS. Supply and demand, wholly.

The CHAIRMAN. In the first place, while supply and demand control everything, we will see how the law operates specifically in this case. In the first place, you have to get back what you pay for your raw?

Mr. SPRECKELS. We aim to. We do not always do it.

The CHAIRMAN. You try to—at least, that is a part of your calculation?

Mr. SPRECKELS. Yes.

The CHAIRMAN. How is the price of raw sugar fixed in New York, at this harbor?

Mr. SPRECKELS. The same way as competition between the refiners as to who will pay the most money for the product.

The CHAIRMAN. That is a little more general than I mean. What ordinarily are the determining factors in what is the market price, in the absence of unusual or excessive competition, or a lull, I mean, in the ordinary level of supply and demand? Would it be the in-bond price plus the duty?

Mr. SPRECKLES. It would be the in-bond price plus the duty.

The CHAIRMAN. And the in-bond price includes what the foreign importer demands for his sugar, according to market conditions—market conditions of the world—plus the cost of transportation.

Mr. SPRECKELS. Yes.

The CHAIRMAN. That makes the in-bond price?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And to that in-bond price you add the duty charged by the Government of the United States on raw sugar?

Mr. SPRECKELS. Exactly.

The CHAIRMAN. The sugar imported ordinarily is 96° test?

Mr. SPRECKELS. It averages about that.

The CHAIRMAN. And the duty is 1.685 on that sugar unless it comes from Cuba?

Mr. SPRECKELS. Yes; they have a 20 per cent concession.

The CHAIRMAN. They have had a 20 per cent differential since January 1, 1904?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Making the Cuban rate $1.348 a hundred pounds?

Mr. SPRECKELS. Yes.

The CHAIRMAN. So if to-morrow a cargo of sugar came from Cuba—because I believe you get the bulk of sugar imported into this port from Cuba, do you not?

Mr. SPRECKELS. We do.

The CHAIRMAN. From one year's end to another?

Mr. SPRECKELS. The bulk of it.

The CHAIRMAN. We will take Cuba for the purpose of illustration. Suppose a cargo of sugar came in from Cuba and had not been bought before it got here, I understand a broker would handle that for the Cuban?

Mr. SPRECKELS. Yes; and his business is to go from one refinery to another and get offers.

The CHAIRMAN. And he would go to the American and the others, and whoever he saw would bid for the raw sugar. He would say, "Here, I have a cargo of Cuban sugar." He would see, of course, what price each one of you would pay for it. That is the market way of doing it—that is at least the common-sense way?

Mr. SPRECKELS. He generally fixes the price, or generally tenders it at a price.

The CHAIRMAN. He makes a price first, does he?

Mr. SPRECKELS. He makes a price first.

The CHAIRMAN. How does he arrive at that price which he makes? Does he take the world's quotation of sugar?

Mr. SPRECKELS. Not always, not in the case of Cuban sugar, because it frequently sells very much less than the world's quotation, at times when there is a pressure.

The CHAIRMAN. When the stuff is rushing in?

Mr. SPRECKELS. When the stuff is rushing in, and everybody wants to realize on their product, they rush it in, and they are glad sometimes to take a concession.

The CHAIRMAN. Does it ever sell for more than the world's standard?

Mr. SPRECKELS. It never gets above the world's standard. I have never known it to be above the world's standard. I do not think we would pay it, because we would import from elsewhere.

The CHAIRMAN. Whereabouts?

Mr. SPRECKELS. From the cheapest market.

The CHAIRMAN. From Java or Hamburg or anywhere else where they had sugar?

Mr. SPRECKELS. Wherever they may have it.

The CHAIRMAN. From where do you import besides Cuba?

Mr. SPRECKELS. From Java or from Europe.

The CHAIRMAN. When you say Europe, that means from France or Germany?

Mr. SPRECKELS. From Hamburg mostly, or from Austria.

The CHAIRMAN. From Austria—it would come from Hamburg then, would it not?

Mr. SPRCKELS. No; it very often goes down to Trieste, down through the Mediterranean.

The CHAIRMAN. Sometimes the pressure of the volume of Cuban stock on the market depresses it a little under the world's price, does it not?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Very materially?

Mr. SPRECKELS. Yes; sometimes quite materially.

The CHAIRMAN. I will just go back a moment and call your attention to this statement from Mr. John D. Spreckels's evidence about the New York market, because one of my colleagues has questioned the accuracy of my memory on that matter. Mr. Spreckels, in answer to my questions, testified as follows:

The CHAIRMAN. It costs you as much to lay down sugar in San Francisco as in New York?

This is raw sugar we were referring to then.

Mr. SPRECKELS. Yes, sir. In fact all of our contracts are based upon the price prevailing in New York on the day of the arrival of the vessel in San Francisco.

The CHAIRMAN. Is that so?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. Then do you add any freight?

Mr. SPRECKELS. No; it is delivered in San Francisco.

The CHAIRMAN. You just take the New York price and follow it?

Mr. SPRECKELS. That is it. We have a contract covering a period of three years with the Hawaiian planters, the price, of course, fluctuating all the time, so in the contract we stated that whatever was the price ruling on the day of the arrival of the cargo is the one that will prevail.

The CHAIRMAN. The price prevailing in New York is the price you pay, then, when the vessel arrives in San Francisco?

Mr. SPRECKELS. Yes, sir.

Do you agree with that? I understood you to say that is a mistake—that the price they paid was a quarter of a cent under.

Mr. SPRECKELS. I am inclined to disagree. It is a quarter of a cent under.

Mr. CAMPBELL. I think John D. Spreckels undertook to supply the committee with the contracts themselves.

The CHAIRMAN. He has not done it; he has not supplied us with anything yet. I think we will have to send for him again. Do you know why he has not sent us that contract he was asked for?

Mr. CAMPBELL. The matters he was to supply to the committee were to be shown by the record. He did not take a memorandum at the time, and there was some delay in getting a copy of the record.

The CHAIRMAN. He proposes to comply, does he?

Mr. CAMPBELL. I am expecting it every day.

Mr. MADISON. I was not the person who questioned the accuracy of the statement, and yet I did understand—and since this young man [Mr. Campbell] has interpolated the suggestion, I want to understand if it is correct. I did understand that while the price at San Francisco was based on the New York market price, on account of them taking a long-time contract and agreeing always to take the sugar, and thus enabling the Hawaiian people to escape the necessity of storage, that they did pay something—I think what Mr. Claus Spreckels says now—below the market price of that day.

The CHAIRMAN. He did not testify to that.

Mr. MADISON. I do not know whether he did or not. I suggested I wanted to know about that.

The CHAIRMAN. Do you know?

Mr. CAMPBELL. I am not informed on that.

Mr. MADISON. Somebody has testified to that effect, that on account of them taking all of their product and escaping storage, they do pay less the amount which I think this witness stated.

The CHAIRMAN. He testified just what I read to you.

Mr. MADISON. I am not questioning the accuracy of the chairman's statement. I am not the person who did that.

The CHAIRMAN. It did not make any difference if you did, of course.

Mr. MADISON. I am only asking the question to get at the facts.

Mr. RAKER. The record will show exactly what he testified.

Mr. MALBY. Perhaps it is important in this respect. I was the one suggested the chair might be mistaken about that matter, and it was based upon this fact—that my recollection was it was not only based upon the question of storage, but it was also owing to the fact that there was a reduction made on account of the difference in freight between New York and San Francisco. All I wanted was to get the record straight.

Mr. MADISON. I think the chairman is right as to what John D. Spreckels testified to. My recollection has been refreshed about it—that it was Atkins who told us that that was the situation.

The CHAIRMAN. I do not remember Mr. Atkins's statement on that point.

Mr. MADISON. Mr. John D. Spreckels's testimony, I think, is incorrect—as a matter of fact the statement made by the present witness is the correct situation.

The CHAIRMAN. Evidently there is a conflict in what Mr. Spreckels stated. He may very well be honestly mistaken on that.

Mr. CAMPBELL. The contracts themselves will show, of course.

Mr. HINDS. Did we not arrange to have those prices in San Francisco tabulated?

The CHAIRMAN. Mr. Spreckels promised to do that.

Mr. HINDS. Did we not arrange to have Willett & Gray do it?

The CHAIRMAN. We were talking about it, but we have not yet taken any steps about it.

Coming back, now, to the question, Mr. Spreckels, and taking the Cuban illustration of a shipload of raw sugar that comes here from Cuba, if the market conditions are normal and there is not a particular flood on the market from Cuba, would the price be somewhere near the world's level?

Mr. SPRECKELS. It would, plus the freight and the duty.

The CHAIRMAN. And the duty, of course, which you would add in this case would be the Cuban duty?

Mr. SPRECKELS. No; it would be $1.685.

The CHAIRMAN. So on Cuban sugar you add $1.685?

Mr. SPRECKELS. Yes. What would be the world's market?

The CHAIRMAN. Then under normal conditions the Cuban planter would get the benefit of the reduction in duty involved in what is known as Cuban reciprocity?

Mr. SPRECKELS. He would.

The CHAIRMAN. Is it your opinion that ordinarily the Cuban planter gets the benefit of that reduction?

Mr. SPRECKELS. As a rule he does not.

The CHAIRMAN. Who gets it? Of course the Government gets that much less duty.

Mr. SPRECKELS. The consumer gets it ultimately.

The CHAIRMAN. Have the prices of refined sugar ruled less since the adoption of the Cuban reciprocity bill?

Mr. SPRECKELS. I think they have.

The CHAIRMAN. Have you any table of prices prepared?

Mr. SPRECKELS. I have no table of prices prepared, but I can prepare them for you.

The CHAIRMAN. We have some figures here Mr. Lowry was requested to prepare, and my understanding was he would probably have them ready for you when you testified—certain tables along that line—and if you can do it I will ask you to telephone him during the noon recess and ask if he has those tables prepared, and to bring them here this afternoon for the purpose of going over them with you. He also was to give us the London prices for a number of years. I believe he is an employee of yours?

Mr. SPRECKELS. Yes.

Mr. THOMAS. Give us the prices you actually paid here in New York for raw sugar and what the London prices were since 1900. That is what we want and that is what he was to give us. You say ordinarily your judgment is the consumer gets the benefit of that?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. How does he, if the Cuban planter adds 1.682 instead of 1.348?

Mr. SPRECKELS. Possibly I misunderstood your question.

The CHAIRMAN. Who gets the benefit of the Cuban differential?

Mr. SPRECKELS. I think the consumer gets it largely, because, as a rule, the Cuban sugar sells below the world's parity.

The CHAIRMAN. Because they are rushed in here at a certain season of the year and the market is flooded with them?

Mr. SPRECKELS. That is the idea. If they could control the market, they would take the 1.685, and they sometimes do.

The CHAIRMAN. But ordinarily they are not well enough organized or strong enough to take it?

Mr. SPRECKELS. Not strong enough.

The CHAIRMAN. Therefore the refiner first gets it, and you say eventually the consumer?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Sometimes crop conditions are such as to give them the benefit of it?

Mr. SPRECKELS. Sometimes, and I think it will occur this year again as to a part of it. I think it will meet the world's market this year.

The CHAIRMAN. Why this year?

Mr. SPRECKELS. Because there is a shortage in the crop, and we have to import from the foreign countries, paying the full duty.

The CHAIRMAN. And therefore the Cuban can say, "You have to pay Java so much, and if you do not pay me that much I will not come here."

Mr. SPRECKELS. That is right.

The CHAIRMAN. If they were well organized and well financed, they could always do that, could they not?

Mr. SPRECKELS. They could get it all.

The CHAIRMAN. Do you see any reasonable prospect of their being able to get it all?

Mr. SPRECKELS. No; not at the moment.

The CHAIRMAN. Suppose they were as well organized as Mr. Madison suggests the Hawaiian planters seem to be, could they grab the duty?

Mr. SPRECKELS. I think they could. If they had as strong a company there in Cuba as they have in Hawaii, I think they could.

The CHAIRMAN. In that event the Cuban reciprocity would not be worth a cent to the American consumer?

Mr. SPRECKELS. Practically a monopoly. The Hawaiians have a monopoly. If one organization has charge of the product, they have a monopoly and can get any price they want.

The CHAIRMAN. If you take the normal condition, when sugar is not being rushed on the market, the Cuban or anybody else is liable to get the benefit; the full duty is liable to be added to the in-bond price?

Mr. SPRECKELS. Yes.

The CHAIRMAN. If sugar comes in a rush and gluts the market, the Cuban is liable to get only his 1.348 added?

Mr. SPRECKELS. Yes; precisely.

The CHAIRMAN. And in that event the consumer gets the benefit of the reduction?

Mr. SPRECKELS. Yes.

The CHAIRMAN. It was the intent of the Government, as suggested just now by my colleague [Mr. Madison] that the Cuban planter should get this reduction in the Cuban duty? Is that your idea of the legislation, or not?

Mr. SPRECKELS. The idea was, a Cuban planter could get the benefit.

The CHAIRMAN. It was intended to aid the Cuban planter?

Mr. SPRECKELS. That is my understanding of it. They were to give us certain things in return, however.

Mr. MADISON. It was a reciprocal agreement that Cuba was to get that benefit, but they did not get it.

Mr. SPRECKELS. That is my understanding.

The CHAIRMAN. It is their own fault if they do not get it?

Mr. SPECKELS. It is their own fault.

The CHAIRMAN. In your judgment, does the amount of the duty paid on raw sugar affect the price of the refined sugar to the American consumer?

Mr. SPRECKELS. To the full extent of the duty.

The CHAIRMAN. Do you believe if we were to make sugar free it would reduce the price of the sugar by the amount of the duty?

Mr. SPRECKELS. By the amount of the duty.

The CHAIRMAN. Do you believe if we were to cut it in half it would reduce the price of sugar by one-half of the amount of the duty?

Mr. SPRECKELS. Unquestionably.

The CHAIRMAN. In your judgment, how much of a reduction in price would free sugar mean to the American consumer?

Mr. SPRECKELS. You are speaking of refined sugar?

The CHAIRMAN. Yes.

Mr. SPRECKELS. Granulated sugar?

The CHAIRMAN. Yes.

Mr. SPRECKELS. Approximately 2 cents a pound.

The CHAIRMAN. If we cut the duty in two, would it be as much as 1 cent a pound, do you think?

Mr. SPRECKELS. It would.

The CHAIRMAN. Have you ever studied what the effect would be on the revenues to cut that duty in two?

Mr. SPRECKELS. Not that phase of it.

The CHAIRMAN. What I had in mind was this——

Mr. SPRECKELS (interposing). I think it would increase very largely the——

The CHAIRMAN (interposing). Importations?

Mr. SPRECKELS. If it were cut in two, it might have the effect of giving you just as much revenue as you get to-day.

The CHAIRMAN. Of course, if we had free sugar, we would not get that revenue.

Mr. SPRECKELS. No.

The CHAIRMAN. But if we cut it in two——

Mr. SPRECKELS (interposing). I think you will get as much, if not more.

The CHAIRMAN. Do you think importations would be increased?

Mr. SPRECKELS. I think the importations would be increased for this reason: I think it would build up other industries that would consume sugar and give us a larger export market. For example, in fruits: Lots of fruit is raised in the South and in California that is not presentable at the table or fit to can, that could go into the shape of jellies and jams. I myself have a farm out in California. I could not do anything with the product. I raised the product and it fell to the ground and is what they call windfalls.

Mr. RAKER. The fruit industry is hampered in California because of those conditions?

Mr. SPRECKELS. A good deal. A good jelly will take 30 to 40 per cent of the weight of itself in sugar. All that is good. I am told that the packers or manufacturers import the dry fruit, buying the fruits from California in a dried state, because that is the only way they can transport it, and they then inject the sugar and make a jam out of it, and we import to this country those products, and they can do it because they have cheaper sugar. I say the consumption of sugar would be greatly increased in the shape of jellies and jams and marmalades.

The CHAIRMAN. Just for a moment right there, if it will not disturb you too much. The policy of the English Government for many years has been either free sugar or a very small duty on sugar, has it not?

Mr. SPRECKELS. It has always been free sugar.

The CHAIRMAN. What effect has that had upon the jams and marmalades and preserve industry of Great Britain?

Mr. SPRECKELS. Great Britain does not raise any fruit. It brings its fruit in on steamers, running in from the Mediterranean. They do not grow a pound of sugar, but they built up that industry.

The CHAIRMAN. It has a great industry there?

Mr. SPRECKELS. It has a tremendous industry there that furnishes the world with its marmalades and jams.

The CHAIRMAN. One of the greatest industries in the United Kingdom?

Mr. SPRECKELS. It is.

The CHAIRMAN. You think that would be one of the results of this sort of legislation?

Mr. SPRECKELS. Unquestionably.

The CHAIRMAN. Do British prices rule higher or lower than American prices on sugar in the refined state?

Mr. SPRECKELS. Lower.

The CHAIRMAN. Materially lower?

Mr. SPRECKELS. To the extent of the duty plus their duty which they have now.

The CHAIRMAN. Taking into consideration their duty?

Mr. SPRECKELS. They have a nominal duty in Europe.

The CHAIRMAN. The highest I think is not quite 40 cents.

Mr. SPRECKELS. It is about that, I think; less than one-half cent a pound.

The CHAIRMAN. What would be the effect, in your judgment, of free sugar on the sugar-cane industry of Louisiana?

Mr. SPRECKELS. From my experience in Hawaii, I would say it would be a blessing to them.

The CHAIRMAN. Why?

Mr. SPRECKELS. It was never believed that in Hawaii they could do without the tariff, or rather the benefits of the tariff by the way of reciprocity.

The CHAIRMAN. This Hawaiian treaty with the United States, you mean?

Mr. SPRECKELS. Yes. Everybody was making vast sums of money. Plantations were paying as high as 80 per cent in a year under the reciprocity. Then they came into the state where they allowed their mills to run down and paid no attention to them, and they were becoming obsolete. Suddenly the tariff was removed and they all had to go in and hustle, and it was the greatest thing for Hawaii that ever happened, and I think any planter will tell you that today, because it made them build up modern mills and adopt modern methods and modern ways of planting and doing it in a scientific way. To-day they can compete with the world.

The CHAIRMAN. That was the result of it, that they can compete?

Mr. SPRECKELS. To-day they can compete with any part of the world.

The CHAIRMAN. That quickened the industry and advanced it?

Mr. SPRECKELS. Yes; and the same thing will happen to Louisiana. I have gone to Louisiana and seen the way they operate their mills, some years ago, but I should send most of them to the junk shop.

The CHAIRMAN. They testified it cost them 3¾ cents to make a pound of raw sugar in Louisiana, whereas the world's average is only 2 cents.

Mr. SPRECKELS. They ought to do it for 1½ cents if they had modern appliances and managed their business properly.

The CHAIRMAN. What about the beet-sugar people? Do you think they can stand without this fostering and kindly and benign protection our Government has been giving them all these years?

Mr. SPRECKELS. Yes; they can.

The CHAIRMAN. Why do you say that? I want to call your attention to these facts, and I think the record establishes them: They testified they have the beet where it is at least the equal, if not the undoubted superior, of the German beet or the French beet or the Spanish beet or any other beet, and that they use Japanese labor. If those things are true, why can not they compete with those countries?

Mr. SPRECKELS. The average price of the beet in Germany is $6 per ton and in this country $5 per ton. The product is better in this country than in Europe.

The CHAIRMAN. In percentage of sugar matter?

Mr. SPRECKELS. Yes; in the saccharine qualities; and if they can not exist without protection of 80 per cent, they had better retire. They have their product for less money and a better product; why can not they exist?

The CHAIRMAN. They say labor has given them a great deal of trouble, and they have to protect American labor.

Mr. SPRECKELS. I am sorry they classify their labor as American.

The CHAIRMAN. Why? You have been out there and know the situation?

Mr. SPRECKELS. They are all raised by Japs and Hindus.

The CHAIRMAN. So the American labor they want us to protect is really Jap and Hindu labor?

Mr. SPRECKELS. It is the avariciousness of the beet people that they employ them. I was connected with the Watsonville factory, the first successful factory in the United States, and all those beets were raised at $4 a ton by the American farmers. The Japs were not working in the field at that time, but subsequently.

The CHAIRMAN. Have you been in the beet fields of Europe?

Mr. SPRECKELS. I have.

The CHAIRMAN. Is there any reason on earth why our people in the favored localities of the West, where the soil and climate really make the industry a legitimate one and unnecessary to have hothouses—is there any reason why they can not compete without Government aid?

Mr. SPRECKELS. Absolutely none. They can produce sugar in this country—I do not care what they say—and if you gentlemen want to get the facts you can get them. All you have to do is to subpœna the treasurers of these different companies to produce the facts from their books. They will speak for themselves. That is the best evidence.

The CHAIRMAN. I think you are right about that. We had better get at the treasurers' books before we get through.

Mr. SPRECKELS. I am told they can raise sugar at 2½ cents—the same sugar we speak of—or for 2¾ cents they can make granulated sugar in California.

The CHAIRMAN. That is pretty low competition with the world's price, is it not?

Mr. SPRECKELS. They can compete. The price the refiner pays for our raw sugar to-day the price we pay for our raw sugar is at least 1¼ or 1¾ cents more than the cost of granulated sugar produced by the beet-sugar industry.

The CHAIRMAN. It is?

Mr. SPRECKELS. Yes, sir. We pay more for the raw material that we import. Do they need protection? I do not think so. If you

want to build up a large Japanese and Asiatic colony in this country, give it to them.

The CHAIRMAN. They say they have a lot of American people and white folks and good folks to engage in this industry, and that they will be absolutely ruined and out of business if they have to pay them on the basis of their foreign competitors—of the basis on which their foreign competitors pay their laborers. Is there anything in that?

Mr. SPRECKELS. I am positive you can do it mostly by machinery.

The CHAIRMAN. The manufacturing part is done mostly by machinery?

Mr. SPRECKELS. We have the same thing in sugar refineries. We are perfectly willing to compete with the world, and I claim——

The CHAIRMAN (interposing). You have a differential of 7½ cents a hundred pounds between raw and refined sugar?

Mr. SPRECKELS. We have.

The CHAIRMAN. Are you willing to say that differential shall go? Would you be willing to see it go?

Mr. SPRECKLES. Perfectly. Take it off the raw——

The CHAIRMAN (interposing). Cut it off horizontally and make them alike.

Mr. SPRECKELS. Yes.

The CHAIRMAN. Make it all free?

Mr. SPRECKLES. That is my idea.

The CHAIRMAN. I want you to relieve my mind, if you can. It looks to me as if that differential has been prohibitive. I notice refined sugar pays into the treasury only something like $80,000 a year. Is that because of the excellence of our refineries?

Mr. MAXWELL. That is the sole reason.

The CHAIRMAN. You do not think the duty has anything to do with that?

Mr. SPRECKLES. It has nothing to do with it.

The CHAIRMAN. And if there were no duty on refined sugar it would not raise any more revenue?

Mr. SPRECKLES. No.

The CHAIRMAN. You would not care anything about that?

Mr. SPRECKELS. No; take it off.

The CHAIRMAN. What about the Dutch standard? The contention is advanced in some quarters that the Dutch standard is put in to save the refineries, and if the Dutch standard were wiped out, other sugars, while they do not look as beautiful as this ordinary granulated, but which are equally as wholesome and equally as good with reference to the amount of saccharine matter, would come in. Is there anything in that contention?

Mr. SPRECKELS. If there were anything in that contention, why should they bring it in from Porto Rico now?

The CHAIRMAN. Porto Rico produces that class of sugar?

Mr. SPRECKELS. Yes. Why don't they bring it in from Hawaii? They have no tariff. They are not dealing with the Dutch standard, which is obsolete.

The CHAIRMAN. You do not think that amounts to anything?

Mr. SPRECKELS. I should say to wipe out the Dutch standard and the polariscope. The polariscope is another thing——

The CHAIRMAN (interposing). That is the real scientific, modern, up-to-date test of sugar? Is that the idea?

Mr. SPRECKELS. No; I say wipe it all out and make a specific duty.

The CHAIRMAN. Sugar of any degree?

Mr. SPRECKELS. Make it free, or make it whatever tariff you want and put it on there, and wipe out that Dutch standard, and wipe out the polariscopic test. In other words, I would eliminate everything that would tend to fraud, and I think the greatest frauds would be perpetrated through that channel. That is my idea—to wipe out the Dutch standard and the polariscopic test, and make a specific duty that the ordinary laymen can understand. That is what I should like to see this Government do.

Mr. MADISON. I just got the impression that you think fraud is practiced through the polariscope?

Mr. SPRECKELS. I say there is opportunity for it; for fraud to be practiced.

Mr. MADISON. That is interesting, Mr. Chairman.

The CHAIRMAN. What do you mean by that, Mr. Spreckels?

Mr. SPRECKELS. In other words, it is true the world over that where there are chemists it is generally accepted within three-tenths of a degree, and that constitutes the basis, and anything that is inaccurate or allowed that wide a margin leaves an opening where mistakes can happen. It is a chemical analysis of it. In other words, the ordinary layman does not understand it, and I say put the tariff on in such a way that the ordinary layman can understand it.

The CHAIRMAN. If you were writing a tariff bill you would either say free sugar or you would say so much duty on sugar and let that mean every sort of sugar?

Mr. SPRECKELS. That is the idea, and eliminate all your Dutch standards and degrees and refined or raw.

The CHAIRMAN. Eliminate everything else and just say sugar?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Is the polariscope, in your judgment, a scientific test as to purity of sugar?

Mr. SPRECKELS. Yes.

Mr. MADISON. But not accurate, if I catch your statement?

Mr. SPRECKELS. But the Cuban eye is not always accurate. I can see one way. I have myself repeatedly polarized, and I can not polarize very often within between two and three degrees, because my eyes are not good enough. It depends upon the accuracy of the chemist and the human eye.

The CHAIRMAN. That is too wide a margin?

Mr. SPRECKELS. There is room for doubt. You must eliminate all possibility in that respect. It may be intentional or otherwise. All I am anxious for is to get everybody on an even keel. We are willing to compete with everybody, if we have no disadvantage from freight rates or tariffs.

The CHAIRMAN. Why do you favor free sugar? Would it be to the interest of the refiners to have free sugar?

Mr. SPRECKELS. Yes; it would.

The CHAIRMAN. I am not reflecting on you by asking that question, but in order to know your viewpoints?

Mr. SPRECKELS. Yes; it would.

The CHAIRMAN. Why?

Mr. SPRECKELS. Because we could increase our product.

The CHAIRMAN. You think the consumption would increase?

Mr. SPRECKELS. The consumption would increase tremendously, I think. I think you would build up a large chocolate industry, the component part of which is about 20 per cent of sugar. Your condensed milk and various articles that are now imported could be supplied from this country, which are now supplied from Europe.

The CHAIRMAN. Suppose you did build up these industries, how would the consumer of chewing gum, for instance, get the benefit? It would not affect the price of such small by-products as that, would it?

Mr. SPRECKELS. I do not know the sugar contents of chewing gum.

The CHAIRMAN. There is a good deal of sugar in it, I understand.

Mr. MADISON. I do not think we ought to worry about that very much.

The CHAIRMAN. The consumer would not get much benefit from such small articles as that?

Mr. SPRECKELS. In a general way. Instead of getting probably five sticks, he might get six.

The CHAIRMAN. In other words, if he gets any benefit of those things, it would be that he would get probably a little larger quantity for the same small amount of money he now pays.

Mr. SPRECKELS. Chewing gum I would not class as a necessity of life.

The CHAIRMAN. And it does not matter, according to our rule of taxation, what you do with the luxuries, anyway.

Is there any other advantage to the refiner that would come from either free raw sugar or from a lower duty on sugar? You would have less money locked up in your business?

Mr. SPRECKELS. We would have less money and could produce the sugar cheaper.

The CHAIRMAN. You think the consumer would get the benefit of that?

Mr. SPRECKELS. Unquestionably.

The CHAIRMAN. Whether he would or not would depend on whether there was real competition among the refiners?

Mr. SPRECKELS. It all depends upon that.

The CHAIRMAN. If they were organized among themselves and understood each other, then——

Mr. SPRECKELS (interposing). He would not get the benefit.

The CHAIRMAN. Unless they got so avaricious they went over the world's price so far that the foreigner would finally ship in here and compete with him?

Mr. SPRECKELS. That is true.

The CHAIRMAN. Even if it injuriously affected, as some people contend it would, the beet and cane-sugar industries of this country, do you believe it would add industries at least as important in volume to the country?

Mr. SPRECKELS. Suppose they did; they can raise corn or wheat on the same land. We do not need Japanese labor or Chinese labor or Hindu labor to raise wheat and corn in this country.

The CHAIRMAN. I was pursuing somewhat this same line, that a great jam industry or a great preserve industry might be built up that was at least as valuable.

Mr. SPRECKELS. Everything pertaining to it—your lumber industry, you tin industry, and everything that goes toward making the package, and the labor—all that would be benefited.

The CHAIRMAN. Mr. Lowry is the manager of your sales department, is he?

Mr. SPRECKELS. He is.

The CHAIRMAN. I notice that he is the chairman or secretary of what is known as the committee of wholesale grocers?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. That is an organization that we have heard a good deal about, and I would like to know if you can add anything to the information furnished us by Mr. Lowry on that subject. How did this committee come to be formed?

Mr. SPRECKELS. I have not read Mr. Lowry's testimony. I can tell the origin of it.

The CHAIRMAN. Suppose you tell us.

Mr. SPRECKELS. I had asked Mr. Lowry, in the sales department, to go ahead and do what he could in order to get all his friends together, to form some sort of an association if he could, and present to Congress or the Members of Congress what they thought on the sugar tariff.

The CHAIRMAN. And that was the origin of the wholesale grocers' committee?

Mr. SPRECKELS. Yes, sir; that was the origin.

The CHAIRMAN. They are real bona fide grocers and are of some importance, most of them, in their respective communities?

Mr. SPRECKELS. Yes, sir; I think you will find a list of them there.

The CHAIRMAN. It happens three of them are from my State, and I happen to know them very well. Three of them are from Georgia, and are very good men. I will testify to that extent myself.

This committee of wholesale grocers has conducted quite a propaganada for the ideas for which you stand?

Mr. SPRECKELS. They have.

The CHAIRMAN. The wholesale grocers' committee has printed circulars and distributed literature in a proper and legitimate way throughout the country among the people, and also have sent such literature to Members of Congress, Members of the House and Senate both?

Mr. SPRECKELS. I believe so. I was not here. I asked Mr. Lowry to do that—to go out and beat the drum and make a noise.

The CHAIRMAN. Were various matters of a like nature sent out with your sugar from the Federal refinery?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. I believe Mr. Lowry testified that the Federal Sugar Refining Co. had practically paid the expenses of this committee?

Mr. SPRECKELS. Yes, sir; that is so.

The CHAIRMAN. He said he did not know of any other considerable contributor to this expense fund?

Mr. SPRECKELS. No; I think we have practically put up the money for it.

The CHAIRMAN. I would like to know, for the benefit of my colleagues and myself, whether you know anything about this circular?

Mr. SPRECKELS. You mean as to the origin of it?

The CHAIRMAN. Yes. Did you originate that, or how was it done?

Mr. SPRECKELS. You have asked Mr. Lowry, but I will state that I had asked him, before I left, to get this up in the form it was gotten up.

The CHAIRMAN. You are pretty well acquainted with the facts on which these statements were based?

Mr. SPRECKELS. Yes; and I furnished the pictures. I wired on to get the actual pictures from the fields in California, and sent them on to Mr. LOWRY, so we could have it in this form, side by side.

The CHAIRMAN. To illustrate this American labor idea, you wanted these pictures?

Mr. SPRECKELS. I wanted to see the pauper labor of Europe and the American farmer, so called.

The CHAIRMAN. Are these pictures real pictures?

Mr. SPRECKELS. Yes; real pictures.

The CHAIRMAN. There has been considerable comment about the fact that one of them is apparently what is called a strawberry patch. What do you say about that? How did that get in there? What was the object of putting that picture in among the pictures that generally relate to the beet culture?

Mr. SPRECKELS. I suppose to show the western farmer and what they do in other directions.

The CHAIRMAN. Are those Japanese in that picture, or Hindus, or something like that?

Mr. SPRECKELS. They are Hindus. They are a very fine specimen of Hindus. I was rather surprised——

The CHAIRMAN (interposing). The idea was to show labor conditions generally on these big ranches in the West?

Mr. SPRECKELS. Yes. In other words, you have there the idea that they are raising strawberries by the Japanese and Hindu laborers, when they are not raising beets. They use the same labor. In the mill they do use white men very largely; and from what I understand they operate the mill for three months and then let them tramp over the State for the next nine months. California abounds with tramps. They have the climatic conditions, so they can walk the railroad tracks every day in the year.

Mr. RAKER. They live in summer the year round in California by tramping.

Mr. SPRECKELS. Yes.

Mr. SULZER. A good country for tramps. [Laughter.]

Mr. HINDS. Some of those German beet laborers in this picture seem to have on "stovepipe" hats. May the witness explain that?

The CHAIRMAN. Mr. Spreckels, you will notice in the German picture there a photograph of beet-sugar laborers in Germany, the feature to which Mr. Hinds calls attention. I see under that picture this statement:

This is a reproduction from a photograph which appeared in the American Sugar Industry and Beet Sugar Gazette.

My colleague, Mr. Hinds, suggests that it has been mentioned during the hearing that this picture——

Mr. HINDS (interposing). I think the picture shows some of these beet-sugar laborers have on "stovepipe" hats. I have asked, Mr. Chairman, if he will explain why they all wear "stovepipe" hats.

The CHAIRMAN. Mr. Hinds suggests this shows some of these people have on silk hats. What have you to say about that?

Mr. SPRECKELS. They do not look silky to me. There may be a boss in the background somewhere.

Mr. GARRETT. Mr. Fordney suggested that this was taken at a picnic.

The CHAIRMAN. Do you know anything about that, Mr. Spreckels?

Mr. SPRECKELS. The picture speaks for itself. I saw the picture in the American Beet Sugar Gazette. That was the inspiration. That inspired me to get up these others.

The CHAIRMAN. They are a pretty good looking lot of people.

Mr. SPRECKELS. It spoke of the pauper labor, and there was the inspiration. I said, let us find out what the American farmer looks like.

The CHAIRMAN. So you put the German on one side and the so-called Americans on the other?

Mr. SPRECKELS. The American Beet Sugar Gazette has never published a picture since, I am told.

Mr. RAKER. Is it not a matter of fact the pictures there show Japs and Hindus better than the majority of them appear in the field?

Mr. SPRECKELS. I think you are from California, Judge Raker?

Mr. RAKER. Yes.

Mr. SPRECKELS. I was surprised when I saw the pictures in print. If it is of interest to the committee, I should like to bring up some photographs of Hawaiian conditions and show you what they really look like.

The CHAIRMAN. Suppose you do that.

Mr. SPRECKELS. I have a number of photographs.

The CHAIRMAN. I will be very much interested in them.

Mr. SPRECKELS. They show the conditions in Hawaii.

The CHAIRMAN. In this circular it is stated:

> The fact that foreign labor is employed almost exclusively, both in the fields and factories, is carefully concealed.

Is foreign labor employed almost exclusively in the fields and factories?

Mr. SPRECKELS. I think altogether.

The CHAIRMAN. Altogether?

Mr. SPRECKELS. Yes.

The CHAIRMAN. In the beet sugar fields of the West?

Mr. SPRECKELS. In the beet sugar fields of the West. There are exceptions, possibly, in the nature of the field boss or something like that.

The CHAIRMAN. But the rank and file——

Mr. SPRECKELS (interposing). The rank and file are all Japs or Hindus.

The CHAIRMAN. That is true about the field laborers?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Is it true as to factory laborers, or do they have many?

Mr. SPRECKELS. That I do not know. I think some are skilled laborers, and many, I am told, are pick-up laborers, catch-as-catch-can, from the tramps that come through the country.

The CHAIRMAN. The proportion of factory labor to field labor is very, very small in the beet sugar industry, is it not?

Mr. SPRECKELS. It must be very small, possibly 10 per cent—10 per cent of the labor in the field.

The CHAIRMAN. If 100 per cent represents the field labor, 10 per cent would represent the factory labor?

Mr. SPRECKELS. Yes.

Mr. JACOWAY. Do you just guess at that?

Mr. SPRECKELS. I just guess that off. I should say less than 10, because I am familiar with Hawaii, where I have worked.

The CHAIRMAN. You have been among these beet-sugar people in California, right in the fields?

Mr. SPRECKELS. Yes. I think you will find that pretty nearly correct.

The CHAIRMAN. I see another statement to this effect:

In other States immigration of Russian and Mexican low-priced labor is encouraged, so that the work of cultivating will be done at the minimum cost, etc.

Do you know whether or not that is true about Mexicans and Russians and that sort of labor?

Mr. SPRECKELS. I have seen the Mexicans coming in—I can not recall the place.

Mr. RAKER. Around Chino?

Mr. SPRECKELS. I have seen Mexicans around Chino and, I think, around Oxnard.

The CHAIRMAN. What do you estimate the tariff on sugar costs the American consumer of sugar in a year? How much does it add to the annual bill of the American people for sugar?

Mr. SPRECKELS. About $150,000,000.

The CHAIRMAN. The Government, I believe, from the reports which we have, gets something like $50,000,000 of that in revenue.

Mr. SPRECKELS. Yes.

The CHAIRMAN. Who gets the other $100,000,000?

Mr. SPRECKELS. The growers in Hawaii and elsewhere.

The CHAIRMAN. The beet-sugar people and the Louisiana cane people?

Mr. SPRECKELS. Yes; the beet-sugar people and the Louisiana cane people.

The CHAIRMAN. Do the refiners of cane sugar get any of it?

Mr. SPRECKELS. No; they get nothing.

The CHAIRMAN. They get the differential, do they not? You do not believe they get that?

Mr. SPRECKELS. They do not get the differential. The differential amounts to nothing.

The CHAIRMAN. If they were strong enough in business ability and in other ways, that differential would not protect them from the foreign refiner?

Mr. SPRECKELS. No; not at all.

The CHAIRMAN. So you count that they get nothing from it?

Mr. SPRECKELS. They get nothing from it.

The CHAIRMAN. You gave us a figure just now that I want to understand. What did you say it ought to cost to manufacture a pound of beet sugar?

Mr. SPRECKELS. They should produce beet sugar for 2¾ cents per pound, for granulated sugar.

The CHAIRMAN. That is, ready to go on the table?

Mr. SPRECKELS. Ready to go on the table of the American. However, I understand there is some testimony in which they have included in the cost of production the freight.

The CHAIRMAN. You have added that to your figures?

Mr. SPRECKELS. No. We do not add freights as a part of the cost of production.

The CHAIRMAN. It has been suggested that you could give to the committee the reasons you have for making that statement and how you arrive at that figure.

Mr. SPRECKELS. I was told so by my father, before his death, that that was the fact. He was interested and he knew.

The CHAIRMAN. He was one of the pioneers in beet sugar, was he not?

Mr. SPRECKELS. I guess he was the first successful pioneer.

The CHAIRMAN. The first successful pioneer in this country?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And he said he could make it at 2¾ cents per pound?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. Any other reason except that?

Mr. SPRECKELS. Yes; if you will figure back. They pay $5 a ton for beets.

The CHAIRMAN. In some cases they have testified, in Michigan, that they pay a little more than that, but you say $5, in your judgment, is the average?

Mr. SPRECKELS. Give them what they want; make it $6.

Mr. RAKER. $5.50 is the highest, I think.

The CHAIRMAN. Give us the figures in your own way. I do not know whether it is accurate or not.

Mr. SPRECKELS. If you want to go to localities where it is not intended that nature should grow a thing——

The CHAIRMAN (interrupting). In other words, where it is a hothouse?

Mr. SPRECKELS. Yes; if you want the wheels of prosperity to turn go to Alaska, thousands of miles, and cover it under glass, and you will help the glass factories just as you have the coal mines and everything else.

The CHAIRMAN. And they could raise grapes under those conditions?

Mr. SPRECKELS. You can raise anything you want to. Take $5.50. How many tons does it take?

The CHAIRMAN. Make your own figures on the basis of what you think about it.

Mr. SPRECKELS. I will be liberal; I will say 7 tons of beets to manufacture 1 ton of sugar. Seven times $5.50 is $38.50. To that should be added possibly $10 a ton—I will call it $20—that is $58.50 a ton.

The CHAIRMAN. What is that $20 a ton for?

Mr. SPRECKELS. For manufacture. I claim it can be done for $10 a ton, but I will give them the benefit of it and double it. That brings the cost up to $58.50. That is $2.925 per 100 pounds—less than 3 cents a pound.

The CHAIRMAN. That was all the figuring you wanted to do to arrive at that amount?

Mr. SPRECKELS. That is all. I am liberal; that is extremely liberal.

The CHAIRMAN. Of course you have not included in that any value of the plant or interest on the money or wear and tear?

Mr. SPRECKELS. I am allowing the $10 additional for that.

The CHAIRMAN. That covers it?

Mr. SPRECKELS. I think that will cover all that.

The CHAIRMAN. And a fair income on the investment?

Mr. SPRECKELS. Yes. I think if you will send for the treasurers of the different companies and ask them to produce the statements, you will verify all these figures, and I do not think you will have to go out to Michigan to get it. I think they are so interwoven with the American Sugar Refining Co. that if you will subpœna the American Sugar Refining Co. to supply these figures you will find they have them. I know they do get statements from California.

The CHAIRMAN. We will see if we can find them.

Mr. RAKER. They have agreed to furnish all those statements.

Mr. MADISON. I suggest that be done right now. I make a motion, Mr. Chairman, that if the American Sugar Refining Co. has those figures right here in this town, we ought to have them.

Mr. SPRECKELS. I believe they have.

Mr. MADISON. We ought to have those data, and I make the request, as a member of the committee, that a subpœna duces tecum be issued for them to produce all the evidence they have that may bear upon the cost of beet-sugar production.

The CHAIRMAN. This is not the time to make the motion. The chair will do all he can to get that information for the committee from any source on earth.

Mr. RAKER. When each one of these witnesses went on the stand, I requested if he had a monthly or semimonthly or semiannual statement that he furnish it, and each one agreed to immediately proceed to prepare such statements. Are they ready at this time?

Mr. CRAWFORD. That request has not been made before.

Mr. MADISON. There is not a man on this committee that has a more open mind on this matter than I have. I have a right to say that, because I have not taken a side in either part of the tariff controversy nor on any other proposition. I have tried to bring out the facts as I understood them, and I say that now, when we are here in the city of New York, the time is ripe to get action on this proposition just suggested by this gentleman—Mr. Spreckels—and I think we ought to get after it and go right into this question if the American Sugar Refining Co. has that information.

Mr. RAKER. I think it is justifiable under the circumstances to act on Mr. Madison's suggestion.

Mr. MADISON. It just takes half a minute to order a subpœna decus tecum.

The CHAIRMAN. If you will draw it, I will sign it with pleasure.

Mr. CRAWFORD. If the chairman of the committee will give me an exact transcript of what is wanted, I can furnish it and I can assure him it will be produced whenever he says.

The CHAIRMAN. I am not going to suspend this examination to do anything now.

Mr. CRAWFORD. I doubt very much if it is in New York. I would like to know what is wanted. If the stenographer will make a transcript of exactly what the committee desires, I will see that it is taken up at once.

The CHAIRMAN. The stenographer will furnish you, during the day or as soon as possible, with a transcript of this part of the evidence. Will you furnish it in that way? I will make the verbal request, which we can not enforce unless we procure service of a subpœna to produce that if you have it.

Mr. RAKER. May I ask whether or not they prepared the statement requested heretofore of these witnesses?

Mr. CRAWFORD. They are all being prepared. We can not prepare these things overnight. I have not had a minute; I have been in attendance on the committee, every day, as you know, and I have to take charge of all these things, but they are being prepared and will be submitted next week. I want to know accurately what you want, however.

The CHAIRMAN. The stenographer will furnish it to you, and it is very kind of you to waive service of a subpœna.

Mr. HINDS. I would suggest you have the witness designate a little more specifically what papers he thinks there are.

The CHAIRMAN. What papers do you think the American Sugar Refining Co. have that will show this information?

Mr. SPRECKELS. I think they would have the monthly statements of these various companies, the monthly financial and operating statements.

Mr. HINDS. That is which the trust owns stock?

The CHAIRMAN. Of course.

Mr. CRAWFORD. Is that all?

Mr. RAKER. No.

Mr. CRAWFORD. What else?

The CHAIRMAN. Is there anything else other than that?

Mr. HINDS. Might you not show also the annual statements?

The CHAIRMAN. Will the annual statements throw any light on the matter?

Mr. SPRECKELS. I do not think so. The monthly financial and operating statements, showing the cost of producing one pound of granulated sugar at the factory, is what you want. They have those.

Mr. CRAWFORD. That covers what you want, does it?

Mr. MADISON. I do not know what the fact is.

Mr. CRAWFORD. I do not know anything about it.

Mr. MADISON. I mean as to whether you have them or what the cost of production is. I do not know anything about it, but make it broad enough so there can be no equivocation about it—anything that pertains to the cost of production of beet sugar.

The CHAIRMAN. If you will do that without subpœna, we will not serve the subpœna.

Mr. CRAWFORD. Whatever we have we will produce without subpœna.

Mr. RAKER. While they are producing the beet-sugar figures, I ask that they produce the cane sugar as well.

Mr. CRAWFORD. What do you mean?

The CHAIRMAN. I do not think they have that.

Mr. SPRECKELS. I want to state that I do not know as a fact that they have this, but I think they have.

Mr. MADISON. I understood what Judge Raker wanted was the cost of refining, the cost of production and of refining. Do you mean the cost of refining cane sugar?

Mr. RAKER. Yes.

The CHAIRMAN. Add that to your list, Mr. Crawford.

Mr. MADISON. Let us include Mr. Spreckels also.

The CHAIRMAN. I am going to question him closely on that point.

It is now 1 o'clock, gentlemen, and we will take a recess until 2 o'clock, at which time, Mr. Spreckels, we will resume your examination.

(Thereupon, at 1 o'clock p. m., a recess was taken until 2 o'clock p. m.)

AFTER RECESS.

The committee reassembled, pursuant to adjournment, at 2 o'clock p. m.

TESTIMONY OF MR. CLAUS A. SPRECKELS—Continued.

The CHAIRMAN. Mr. Spreckels, when we adjourned at the noon recess you were just giving your estimate on the real cost of producing a pound of beet sugar. Could you make us a similar estimate on cane sugar?

Mr. SPRECKELS. Yes. I have a memorandum for Hawaii.

The CHAIRMAN. Suppose you do that.

Mr. SPRECKELS. I can give you the figures for possibly a great many plantations for a series of years.

The CHAIRMAN. Let us go into that. Have you those memorandums with you now?

Mr. SPRECKELS. I will have those on Monday. I loaned them to Mr. Lowrey, and this being Saturday afternoon, he is not in his office.

The CHAIRMAN. You would rather take that up Monday morning?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Would you care to give us a general estimate, just for the information of the committee, and subject to this revision that you will make on Monday morning?

Mr. SPRECKELS. Well, approximately, it is less than two and a half delivered in San Francisco, after paying the freight.

The CHAIRMAN. In the raw state?

Mr. SPRECKELS. Yes.

The CHAIRMAN. How much as to the finished product?

Mr. SPRECKELS. In this market we are paying to-day 4⅜.

The CHAIRMAN. For the raw stuff?

Mr. SPRECKELS. Yes. Similar stuff which would cost them two and a half, less than two and a half, delivered in San Francisco, after paying freight.

The CHAIRMAN. It could be refined and put on the market at approximately the same figure that you have given for the beet sugar?

Mr. SPRECKELS. Yes.

The CHAIRMAN. What does it cost, or what did it cost, to refine a pound of sugar?

Mr. SPRECKELS. It depends upon what you call the cost; the cost of manufacture, package, labor, fuel, water, and everything like that enters into it.

The CHAIRMAN. Well, approximate it in that way.

Mr. SPRECKELS. From that standpoint the cost of manufacture is less than 30 cents a hundred pounds. In addition to that, you must calculate on the loss of sugar in manufacture.

The CHAIRMAN. What percentage of loss is that—3 per cent?

Mr. SPRECKELS. No. More than that. Ninety-six per cent of sugar contains only 96 pounds of pure sugar in the hundred pounds.

The CHAIRMAN. That is a loss of 4 per cent?

Mr. SPRECKELS. The balance is composed of dirt, and so forth.

The CHAIRMAN. It would be a 4 per cent loss?

Mr. SPRECKELS. Plus the mechanical loss.

The CHAIRMAN. What is that mechanical loss?

Mr. SPRECKELS. Well, that varies very much. You might say the total loss would be 7½ per cent.

The CHAIRMAN. In other words, on sugar testing 96° you would have a 7 per cent loss from the standpoint of 100.

Mr. SPRECKELS. Approximately 93 pounds of granulated sugar would be produced, so that would be 7 per cent.

The CHAIRMAN. That would be 7 cents a hundred for that?

Mr. SPRECKELS. No; 7 per cent of the cost of the sugar. Now, the present price depends upon the price you pay for the raw material. If it is 4 cents, or 7 per cent, your loss would be 28; 5 per cent, your loss would be 35.

The CHAIRMAN. Well, figure it at 5.

Mr. SPRECKELS. That would be 35.

The CHAIRMAN. In addition to which is the 30——

Mr. SPRECKELS (interposing). Which would be 65 cents.

The CHAIRMAN. That would represent a fair approximate standard of the cost of refining?

Mr. SPRECKELS. It would.

The CHAIRMAN. Will your factory be somewhere around that cost?

Mr. SPRECKELS. Not exceeding that.

The CHAIRMAN. Well, the American ought not to exceed that, ought it? In other words, that is the general standard for all refineries?

Mr. SPRECKELS. Yes, approximately; for your purposes that would be sufficient.

The CHAIRMAN. And the present differential is how much a hundred?

Mr. SPRECKELS. The present is seven and a half.

The CHAIRMAN. So that does not even make it up?

Mr. SPRECKELS. No. But if you take your sugar you get your cost down to 2½ cents or 3 cents, instead of 5, as you suggested just now.

The CHAIRMAN. It would make it 35, half as much?

Mr. SPRECKELS. It would be 21 cents. You can manufacture your product at 4 cents a hundred cheaper than at 5 cents.

Mr. HINDS. That is with the tariff all off?

Mr. SPRECKELS. Yes; with the tariff all off.

The CHAIRMAN. That would be 30 and 21?

Mr. SPRECKELS. You would have greater protection with the tariff all removed than you would have at 7½ cents.

The CHAIRMAN. In that event, to suggest an illustration, 50 cents would be a fair estimate of the cost of refinement?

Mr. SPRECKELS. Yes; that is right.

The CHAIRMAN. Now, in these figures you have not included any refiner's profit at all?

Mr. SPRECKELS. No, sir.

The CHAIRMAN. Of course, a profit would have to be secured on the investment?

Mr. SPRECKELS. Well, what the traffic will bear, usually.

The CHAIRMAN. Well, the reasonable way to figure it would be on investment, depreciation, and such things as that?

Mr. SPRECKELS. Precisely.

The CHAIRMAN. Your estimate is not made on that basis?

Mr. SPRECKELS. No.

Mr. MALBY. Can he give us, or be able to give us, the actual figures?

The CHAIRMAN. We are asking everybody, and will ask you, too, if you can, to give us from your own factory the actual figures on that cost, if you have no objection to that.

Mr. SPRECKELS. I do not think you would be concerned with that. I have given it to you approximately correct, and it is not over that; I do not know what you want more than that.

The CHAIRMAN. We might want to know if it was much under that.

Mr. SPRECKELS. It is not so much under it; it is approximately correct.

The CHAIRMAN. Can you give an approximate estimate, then, of the figures? Those might vary.

Mr. SPRECKELS. It does not vary over 5 cents a hundred.

The CHAIRMAN. Well, that is pretty close. You referred to some pictures that you were going to get for the committee. Are those the pictures that you have there?

Mr. SPRECKELS. Yes; but I do not think you want to put them in the record.

The CHAIRMAN. No. I thought we would look at them and have them for the information of the committee. However, I think it would be well to wait until all the members of the committee are present.

Mr. RAKER. What did you do about the statement of the exact cost? Did you pass that for the present?

The CHAIRMAN. Well, as he gave it quite closely, I was satisfied. He said he was within 5 cents a hundred pounds, and that was as near as we wanted to go, I thought.

Mr. SPRECKELS. I can say for your information that when I say 5 cents, it varies from time to time, depending on the labor conditions, on the coal——

The CHAIRMAN (interposing). And on the price of raw sugar?

Mr. SPRECKELS. No.

The CHAIRMAN. I thought you said the cost of refining was to some extent determined by the price of raw sugar, because there was a waste in the raw sugar?

Mr. SPRECKELS. Yes.

The CHAIRMAN. As I understood you just now, you said there was a certain amount of loss in manufacturing or in refining?

Mr. SPRECKELS. There is.

The CHAIRMAN. And how much that loss would amount to would depend, in cents, somewhat on what the sugar was worth that you lost, would it not?

Mr. SPRECKELS. Precisely.

The CHAIRMAN. Therefore, the price of raw sugar is an element that determines the cost of refining sugar?

Mr. SPRECKELS. A very large element.

Mr. MALBY. You might be mistaken. You take your raw sugar; it will not be less than 96 per cent, say, of pure sugar.

Mr. SPRECKELS. Yes.

Mr. MALBY. And in the refining you must eliminate, substantially, the same quantity of sugar, if it is 96 per cent pure?

Mr. SPRECKELS. If I might be permitted to explain——

Mr. MALBY. Well, now, let me ask you one or two questions in order to get it before me in my way of thinking, and then I will be able to analyze it. If the sugar is, say, not less than 96 per cent pure when you get it, it must be 96——

Mr. SPRECKELS (interposing). No; not necessarily; it may be 80, 90, 95, or 96.

Mr. MALBY. That is the basis on which you buy it?

Mr. SPRECKELS. Yes; on the basis of 96.

Mr. MALBY. Of course, if it is 96, you eliminate, substantially, the same quantity, the same number of pounds in refining?

Mr. SPRECKELS. Yes.

Mr. MALBY. The difference between 96 and 100 is 4, and you estimated about 3 pounds in the process of refining, so the difference would only be——

Mr. SPRECKELS (interposing). That would be 3 and 4, and that would mean 7, would it not; that is, 7 per cent?

Mr. MALBY. That would be 7 pounds. So the difference would be the difference in the price of raw sugar?

Mr. SPRECKELS. Yes.

Mr. MALBY. And it would hardly be perceptible, would it?

Mr. SPRECKELS. I would be very material. If you pay 5 cents for sugar you lose 7 pounds at 5 cents.

Mr. MALBY. You do not.

Mr. SPRECKELS. Well, assume——

Mr. MALBY (interposing). Well, assume what the facts are. What are you paying for raw sugar to-day?

Mr. SPRECKELS. The value is about 4.40.

Mr. MALBY. What have you paid for the year—what would that average?

Mr. SPRECKELS. Oh, I could not tell you that offhand.

Mr. MALBY. Well, without that we can not conclude what the difficulty is.

Mr. SPRECKELS. Yes; because that varies from time to time. I do not see that that goes into that calculation at all.

Mr. MALBY. I am inclined to think you have got to strike an average.

Mr. SPRECKELS. Well, then, do not take the average for this year, but take the average for the last 10 years; then you will get it and know what you are doing; you can not take the average for a few months.

Mr. MALBY. Well, I suggested to you that there would not be very much difference, and you say it is a good deal.

Mr. SPRECKELS. It is. If you lose 7 pounds of sugar, if it cost you 5 cents a hundred, or 3 cents or 4 cents a hundred, you are losing the difference.

Mr. MALBY. Of course, if you are, but I can not see that you are.

The CHAIRMAN. I want to go with you into the table submitted by Mr. Atkins, acting president of the American Sugar Refining Co., on sugar prices, the average prices. Perhaps I had better let you have that table while you are making your answers. It is on page 176 of the record. However, before we go into the table I will ask you a question which one of my brother colleagues suggests: How does the cost of refining, as a general proposition, compare in this country with the cost of refining in foreign countries—that is, Germany, France, and England? Is it as low here as it is there?

Mr. SPRECKELS. The cost of refining?

The CHAIRMAN. Yes.

Mr. SPRECKELS. I should think it would be less in this country than it is abroad. I have been to many of their refineries, and they do not compare.

The CHAIRMAN. Why should it be less; is the machinery better here?

Mr. SPRECKELS. The machinery is better and it is done on a larger scale.

The CHAIRMAN. Therefore, you think the American refineries can compete with anybody?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Are you speaking of a cane refinery?

Mr. SPRECKELS. They are refiners of both cane and beet. We are talking about sugar refineries, are we not?

Mr. HINDS. This was a comparison of cane refineries, was it not?

Mr. SPRECKELS. The refineries refine both cane and beet sugar.

The CHAIRMAN. Your refinery here would be able to refine beet sugar as well as cane sugar?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And are both kinds done in Europe?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Is it done here?

Mr. SPRECKELS. For example, they raise no beets in England and no cane in England; they import all their sugars.

The CHAIRMAN. Both beet and cane?

Mr. SPRECKELS. Yes; and some days they operate on cane sugars and on other days operate on beet work.

The CHAIRMAN. The same refinery?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Could the Federal, for instance, refine cane to-morrow and beet the next day?

Mr. SPRECKELS. They can and do.

The CHAIRMAN. Do any of the other refineries of the country do it?

Mr. SPRECKELS. The same way.

The CHAIRMAN. So when you speak of the process of refining, it would be applicable to both beet and cane refining?

Mr. SPRECKELS. Yes.

Mr. HINDS. I do not wish to interfere with your examination, but there seems to me to be quite a question there about the different processes. I have understood that cane refining was more costly than beet refining, but I will take that up after you are through with the witness.

The CHAIRMAN. I will ask him one question in order to illustrate your idea. Is it more costly to refine raw cane sugar than it is raw beet sugar?

Mr. SPRECKELS. No, sir.

The CHAIRMAN. Practically the same?

Mr. SPRECKELS. Exactly.

The CHAIRMAN. At the same expense?

Mr. SPRECKELS. Practically the same expense.

The CHAIRMAN. Can you produce the same amount with the same equipment? I mean, would your refinery at Yonkers put out as much cane as beet?

Mr. SPRECKELS. Precisely the same.

The CHAIRMAN. And with the same expense?

Mr. SPRECKELS. Yes.

The CHAIRMAN. You say that you are satisfied, from personal observation, that refineries here are better equipped than they are abroad, and there is no reason why they can not refine cheaper and do refine cheaper than in foreign countries you have visited?

Mr. SPRECKELS. Yes.

The CHAIRMAN. What countries did you visit?

Mr. SPRECKELS. I visited England.

The CHAIRMAN. Have you seen refineries there?

Mr. SPRECKELS. Yes; quite a number of them.

The CHAIRMAN. Have you been in Germany?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Have you visited any other country?

Mr. SPRECKELS. No, sir.

The CHAIRMAN. Just those two?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And they are both great sugar countries?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. And you say their plants do not compare favorably with ours?

Mr. SPRECKELS. No; the largest plant in England, for example, is, I think, a little less than half the size of the Federal.

The CHAIRMAN. And the Federal itself is how large, compared to the American, and the Havemeyers, and Elder, and Chalmette?

Mr. SPRECKELS. I can only speak for ourselves. We produce about 2,500,000 pounds per day.

The CHAIRMAN. How many barrels would that be?

Mr. SPRECKELS. That depends upon the barrel.

The CHAIRMAN. Well, what they usually call a barrel.

Mr. SPRECKELS. About 7,000 barrels.

The CHAIRMAN. I believe it has been testified before the committee that the Havemeyers and Elder plant produces from eight to ten thousand, something like that.

Mr. SPRECKELS. I think they do at times.

The CHAIRMAN. I mean that is their capacity, and that the Chalmette produces from twelve to fifteen thousand, that being the biggest in the world?

Mr. SPRECKELS. I do not think so.

The CHAIRMAN. What is the biggest in the world?

Mr. SPRECKELS. I think the combined factory of the Havemeyers and Elder. In Brooklyn they combined two refineries and made one.

The CHAIRMAN. The present Havemeyers and Elder plant?

Mr. SPRECKELS. Yes.

The CHAIRMAN. You think that is bigger than the Chalmette?

Mr. SPRECKELS. Yes.

The CHAIRMAN. You have seen it?

Mr. SPRECKELS. Yes.

The CHAIRMAN. In Germany, you say, the same condition is true?

Mr. SPRECKELS. The same condition.

The CHAIRMAN. Is there any marked difference in the way labor is paid in the refineries here and in Germany and England; that is, comparing the prices paid to labor here and the prices paid in Germany and England?

Mr. SPRECKELS. I do not think to a very large extent.

The CHAIRMAN. You do not think there is a very great difference?

Mr. SPRECKELS. No.

The CHAIRMAN. Skilled labor is as well paid over there as it is here?

Mr. SPRECKELS. I think the higher grade is practically the same.

The CHAIRMAN. Well, now, the mass of the labor, the rank and file—how is it as to that?

Mr. SPRECKELS. I should say that was less.

The CHAIRMAN. Less over there?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Can you give us an estimate as to that?

Mr. SPRECKELS. I made some inquiries as to that.

The CHAIRMAN. Give us the benefit of your information.

Mr. SPRECKELS. I should say that it is 50 per cent more here—that is, the common laborers.

The CHAIRMAN. How does it compare in Germany and England, about the same?

Mr. SPRECKELS. I should say practically about the same.

The CHAIRMAN. And the rank and file of the laborers get 50 per cent more here than in either one of those two countries?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Now, you have before you that table submitted by Mr. Atkins, and you will notice it is a table the principal object of which was to show to the committee that since the trust was organized sugar had gone down. I believe the statement is that it had that effect.

Mr. SPRECKELS. The trust was formed in 1887.

The CHAIRMAN. When does that table begin?

Mr. SPRECKELS. It begins in 1885. The differential in 1885 was 0.712.

The CHAIRMAN. What is it at this date? I mean last year.

Mr. SPRECKELS. In 1885 it was 0.712, and in 1910 it was 0.784.

The CHAIRMAN. So that the refiners' margin has gone up since the trust was organized?

Mr. SPRECKELS. Yes; it has gone up.

The CHAIRMAN. Now, compare the price of raw and refined sugars.

Mr. SPRECKELS. Raw sugar in 1885 was 5.729, and raw sugar in 1910 was 4.188.

The CHAIRMAN. Did the trust have anything to do with the putting down of raw sugar during that period?

Mr. SPRECKELS. A difference of a little over 1½ cents.

The CHAIRMAN. They did not put that down? The organization and operation of the trust did not cause that drop?

Mr. SPRECKELS. No, sir.

The CHAIRMAN. What do you think caused the decrease in price of raw sugar between those two periods of time?

Mr. SPRECKELS. I should say that the margin of profit was materially less in 1885 than it was in 1910.

The CHAIRMAN. The margin of the refiners' profit?

Mr. SPRECKELS. According to these figures, yes.

The CHAIRMAN. Just answer the question that I asked you: Why do you think raw sugar fell from 5.729 to 4.188 during that time? The creation and operation of the trust did not cause that?

Mr. SPRECKELS. No, sir; that was caused by a large——

The CHAIRMAN (interposing.) Crop?

Mr. SPRECKELS. Yes.

The CHAIRMAN. The world's supply and demand determined that?

Mr. SPRECKELS. Absolutely.

The CHAIRMAN. Whether the trust had been in existence it would have been the same?

Mr. SPRECKELS. Yes; the same.

The CHAIRMAN. Now, compare the same two years on refined sugar, what it was worth in 1885 and in 1910?

Mr. SPRECKELS. In 1885 it was worth 6.441 and in 1910, 4.972.

The CHAIRMAN. Well, that is a considerable drop, is it not, in refined sugar?

Mr. SPRECKELS. The drop in raw sugar was 1.541 and the drop in refined sugar as 1.469.

The CHAIRMAN. The drop in raw sugar was how much?

Mr. SPRECKELS. The drop in raw sugar was 1.541, whilst the drop in refined sugar was only 1.469.

The CHAIRMAN. In other words, the refined sugar did not fall as much as the raw sugar did?

Mr. SPRECKELS. Refined sugar fell 7 cents per 100 pounds less than raw sugar did.

The CHAIRMAN. Well, now, if anything, that would seem to indicate that the trust had kept the price higher than it would have been but for its existence?

Mr. SPRECKELS. Apparently.

The CHAIRMAN. That would be the deduction you would make from that set of figures?

Mr. SPRECKELS. Most naturally.

The CHAIRMAN. Because they did not put the raw sugar down and they did not put the refined sugar down as it ought to have been relatively or proportionately?

Mr. SPRECKELS. Precisely.

The CHAIRMAN. Well, now, without going into details, take Mr. Atkins's figures for the year 1904. I will say to you by way of explanation that those figures were taken from Willett & Gray's trade journal. In 1903 what was the price of raw and refined sugars? Look at those figures.

Mr. SPRECKELS. 1903 or 1904?

The CHAIRMAN. Take the year 1903 first, and take refined sugar first.

Mr. SPRECKELS. Refined sugar in 1903 was 4.638.

The CHAIRMAN. Now, in 1904 what was it?

Mr. SPRECKELS. 4,772.

The CHAIRMAN. That is quite a considerable advance, is it not?

Mr. SPRECKELS. No; it is only 6 cents a hundred; practically the same.

The CHAIRMAN. Well, it is nearly 8 cents a hundred, is it not?

Mr. SPRECKELS. Yes; 8 cents.

The CHAIRMAN. Well, now, during that year the Cuban reciprocity treaty was in effect, and in that treaty there was a 20 per cent reduction on Cuban sugar, but that does not seem to have lowered the cost of sugar, does it?

Mr. SPRECKELS. I can not tell, or make a comparison, without the London price or the Hamburg price.

The CHAIRMAN. In other words, you would have to see, before you can draw a conclusion, what the world's price is?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Because, as I understand it, no matter what your tariff changes are, world conditions may have more effect than the tariff?

Mr. SPRECKELS. Exactly.

The CHAIRMAN. As to state the proposition in a strong, general way, the tariff is only one of several factors that determines the price of any article?

Mr. SPRECKELS. The principal factor.

The CHAIRMAN. If there was a very short crop in some year the price of sugar might go up, even if the tariff was taken off entirely? You will notice in the year 1904, for instance, in order to direct your mind to the thought I have in mind, that Mr. Atkins calls attention to the fact that there was a considerable shortage in the European crop.

Mr. SPRECKELS. Yes.

The CHAIRMAN. One million tons, I think it says, does it not?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. Well, now that might account for the relatively small increase in price, independent of any tariff change, might it not?

Mr. SPRECKLES. That is, in 1904 and 1905?

The CHAIRMAN. Well, maybe 1905. Was that shortage in 1905?

Mr. SPRECKELS. The crop is made there in Europe commencing in October, so it would go over.

The CHAIRMAN. Into 1905?

Mr. SPRECKELS. Yes.

The CHAIRMAN. In what year is it that he suggests a shortage in the European crop?

Mr. SPRECKELS. 1904 and 1905.

The CHAIRMAN. He has got it in both years?
Mr. SPRECKELS. Yes, sir; in both years.
The CHAIRMAN. A considerable shortage in the European crop would run up the world's price, would it not?
Mr. SPRECKELS. It would.
The CHAIRMAN. It would have that tendency?
Mr. SPRECKELS. It would have that tendency.
The CHAIRMAN. And that might counteract any benefit the consumer might get from a lower tariff rate, to some extent, might it not?
Mr. SPRECKELS. It certainly would.
The CHAIRMAN. But if the tariff had been left unchanged——
Mr. SPRECKELS (interposing). It would have advanced that much more.
The CHAIRMAN. It would advance just that much more, in other words, if it went higher?
Mr. SPRECKELS. You would add the tariff to it.
The CHAIRMAN. When the tariff was reduced; then if the tariff had not been reduced, it would have gone that much higher. Is that your proposition?
Mr. SPRECKELS. It would.
The CHAIRMAN. And the reverse of that is true, taking it the other way?
Mr. SPRECKELS. Yes, sir.
The CHAIRMAN. Now, would you say that was the explanation of those fluctuations during each one of those years? I notice he mentions there another year when there was a considerable increase in the European crop, and the price went down.
Mr. SPRECKELS. In 1906 there was an increase in Europe of about 2,000,000 tons.
The CHAIRMAN. What effect did that have on the world's price?
Mr. SPRECKELS. The price dropped down to 3.68 as against 4.27 before.
The CHAIRMAN. That is the raw price?
Mr. SPRECKELS. Yes.
The CHAIRMAN. Now, he mentions another year, if you will glance down that table.
Mr. SPRECKELS. In 1908 there was a short crop in Cuba.
The CHAIRMAN. How did that affect the price?
Mr. SPRECKELS. The price went up to 4.07.
The CHAIRMAN. Because there was a scarcity?
Mr. SPRECKELS. Yes.
The CHAIRMAN. And the law of supply and demand was responded to?
Mr. SPRECKELS. Yes. In 1910 there was a short crop in Europe.
The CHAIRMAN. How did that affect the market? Did it send the price up, or was that its tendency?
Mr. SPRECKELS. The price is 4.188.
The CHAIRMAN. Mr. Spreckels, to put a general question, and of course you will understand best its application to sugar, is it not true that often, even when the tariff on an article is reduced, the price of that article may go up, and it may cost the consumer more on account of conditions entirely independent of the tariff?

Mr. SPRECKELS. They must be independent of the tariff, and the cause of that is independent of the tariff.

The CHAIRMAN. And if the tariff had not been removed or lowered——

Mr. SPRECKELS (interposing). It would have enhanced the value to the extent of the tariff.

The CHAIRMAN. So that when that sort of thing happens you would not say it comes because of the tariff, but it comes, rather, in spite of the tariff.

Mr. SPRECKELS. That is quite correct.

The CHAIRMAN. Gentlemen, I have concluded all the opening examination I care to make of this witness, and I will ask one of you gentlemen to take up the examination at this point. I would suggest possibly it would be fair to give Judge Madison the preference, as we are going to send him out with the subcommittee, or allow Judge Malby to examine the witness.

Mr. MALBY. I do not care to examine the witness now, because I am not prepared. I have some matters I want to consult first.

The CHAIRMAN. I only suggested that Judge Madison examine the witness, because I thought he would be away Monday morning.

Mr. MADISON. I had not thought of examining the witness at this time.

Mr. HINDS. Mr. Chairman, I have a few desultory questions, but I do not wish to go ahead of any one else.

The CHAIRMAN. Not at all.

Mr. HINDS. Mr. Spreckels, you testified this morning as to how far in the South and the West you were able to market cane sugar.

Mr. SPRECKELS. Yes, sir.

Mr. HINDS. Can you tell me how far in the East the beet-sugar people are able to market their sugar?

Mr. SPRECKELS. There is the dividing line on the Missouri River. They sometimes come as far as Pittsburg. I think the American Beet Sugar Co. has come once as far as New York City.

Mr. HINDS. Have they not come into New England, Mr. Spreckels?

Mr. SPRECKELS. They have come into the State of New York.

Mr. HINDS. Have they not also come into New England some?

Mr. SPRECKELS. I think so.

Mr. HINDS. One member of the firm of Arbuckles testified that they had come into New England.

Mr. SPRECKELS. Yes, sir.

Mr. HINDS. Are they showing a tendency to come farther east all the time?

Mr. SPRECKELS. They are.

Mr. HINDS. And make the competition serever, if it is competition?

Mr. SPRECKELS. Yes.

Mr. HINDS. Continually?

Mr. SPRECKELS. Yes, sir. They have frequently come as far as Pittsburg.

Mr. HINDS. Now, you testified a short time ago about an experience of free trade in Hawaii. I did not hear accurately, but I inferred that there was a benefit arising from it to some industry—the sugar industry?

Mr. SPRECKELS. Yes; the sugar industry.

Mr. HINDS. In what way did it benefit that industry?

Mr. SPRECKELS. It forced them to look around and equip their factories to where they should have been. They were all becoming more or less obsolete, both in their cane fields and in the factories.

Mr. HINDS. Is that a tendency of protection, do you think, as applied to sugar factories?

Mr. SPRECKELS. That is what brought it about. The tendency was to let the mills run down, on account of the high protection they received, and they need not pay the same attention to it, because money was being made so rapidly they did not pay the same attention to it they otherwise would.

Mr. HINDS. Is that peculiar to the sugar industry, do you think?

Mr. SPRECKELS. I should say it would apply to any industry.

Mr. HINDS. I thought that was a general principle.

Mr. SPRECKELS. I think that is a general principle.

Mr. HINDS. So that as a captain of industry you would be in favor of a free-trade policy as best for a nation?

Mr. SPRECKELS. I can not say free trade. I would say fair trade; at least fair trade. I would not go as far as free trade. In some instances I dare say they can not do it.

Mr. HINDS. It is necessary to have revenue in some incidental things.

Mr. SPRECKELS. Yes.

Mr. HINDS. But in general you would go to free trade as far as possible?

Mr. SPRECKELS. Wherever it can exist.

Mr. HINDS. Why is it, Mr. Spreckels, if that principle is true, that the sentiment of the leading nations of the world, with one exception, is all in favor of the protective policy—the United States, France, Germany, Scandanavia, Austria, and Italy?

Mr. SPRECKELS. Largely for revenue. More for revenue than for anything else. For example, in Germany they have put on many articles quite recently an additional tariff for the reason they require the money to build more battleships.

Mr. HINDS. You do not mean, do you, Mr. Spreckels, that the animus of the protective system of Germany is revenue?

Mr. SPRECKELS. I think so; very largely.

Mr. HINDS. Why is it they put a tariff of 2 cents a pound on sugar, over 2 cents, higher than our tariff?

Mr. SPRECKELS. They have an internal-revenue tax.

Mr. HINDS. Yes; but that may be for revenue, possibly, but why do they put on that protective tax against external sugar, over 2 cents a pound?

Mr. SPRECKLES. I say, in my opinion, it is done for revenue and revenue only.

Mr. HINDS. They do not get any revenue out of that.

Mr. SPRECKELS. Certainly.

Mr. HINDS. In Germany?

Mr. SPRECKELS. Yes, sir.

Mr. HINDS. Out of imported sugar?

Mr. SPRECKELS. Not imported sugar. They protect their own, and get the revenue by the internal tax.

Mr. HINDS. Certainly; but I am speaking about the protective tax.

Mr. SPRECKELS. Have they a tariff there?

Mr. HINDS. Yes; of over 2 cents a pound, according to a Senate document which we have here. That is why I asked you if revenue and not protection was the object of Germany's tariff.

Mr. SPRECKELS. I suppose they have to protect it in order to get the revenue.

Mr. HINDS. Well, I would not presume to have an opinion on that subject, but this is the first opinion I ever heard that Germany's tariff was for revenue. Is it for that reason that she protects all agricultural products and her iron and steel?

Mr. SPRECKELS. I do not know what the German tariffs are. I am not prepared to answer that question.

Mr. HINDS. Then excuse me for asking you that. The thing I wanted to get at was, with the authority of your industrial experience, proposing to ask free trade or an approximation to it, in this article, and that might carry with it many other articles, I wanted to find out what the consensus of judgment in the world was as to that subject, and that is why I asked you why these European nations favor protection.

Mr. SPRECKELS. As I say, I can not speak for Germany or any other country. I do not know what their reasons are for it.

Mr. HINDS. And you can not tell why it is that the most intelligent and most advanced of the colonies of Great Britain break away from the precepts of the mother country and favor protection?

Mr. SPRECKELS. I think its colonies put on the protection for selfish motives.

Mr. HINDS. Just what is the nature of those selfish motives?

Mr. SPRECKELS. For the manufacturer to make that much more.

Mr. HINDS. Are the manufacturers of England's colonies so flourishing—Canada, for instance?

Mr. SPRECKELS. Canada is quite flourishing.

Mr. HINDS. Her manufacturers, particularly?

Mr. SPRECKELS. I think so.

Mr. HINDS. As compared with this country?

Mr. SPRECKELS. I think so.

Mr. HINDS. Or as compared with any country?

Mr. SPRECKELS. I think so; but that is only an opinion. I do not know.

Mr. HINDS. Is it not so that Canada is still principally an agricultural country and that her industries are just in the stage of struggling upward?

Mr. SPRECKELS. They manufacture their own sugars.

Mr. HINDS. And she has a higher tariff than we have on sugar?

Mr. SPRECKELS. No, sir; they have a lower tariff than we have.

Mr. HINDS. Very much lower?

Mr. SPRECKELS. I will be glad to prepare and furnish those figures. I have not them with me.

Mr. HINDS. I think they are in the record.

Mr. SPRECKELS. Then perhaps you can tell me what they are.

Mr. HINDS. I had the impression that their sugar tariff was a little higher than ours, but I may have misunderstood the figures. My colleague seems to think they are a little lower.

The CHAIRMAN. I think they are about two-thirds of ours.

Mr. HINDS. We have a report on that matter from the consul, but I have not gone through it carefully. Do you know whether

the people of Canada get their sugar any cheaper than we do ours in the market?

Mr. SPRECKELS. I do not know, but I do not think they do.

Mr. HINDS. If they have a lower tariff, why not?

Mr. SPRECKELS. I think the profit to the manufacturer is greater than it is here—the profit to the refiner is greater there than it is in this country.

Mr. HINDS. But if the tariff is only two-thirds of what ours is on sugar, why is it that the world's sugar does not go in there and rectify that?

Mr. SPRECKELS. You mean refined sugar coming into Canada?

Mr. HINDS. Yes.

Mr. SPRECKELS. They do. Sugar does enter there; a great deal of refined sugar is sent over from England to Canada.

Mr. HINDS. Then why does not that drop the price? Why is it that the retail price in Canada is a little higher than with us?

Mr. SPRECKELS. Because, I think, they have a condition there that favors high prices. I think there is a general understanding between the refiners, and the refiner takes the profit.

Mr. HINDS. Then, if we are going to get cheaper sugar for the people of the United States, this committee must go a little further than reduce the tariff, must it not?

Mr. SPRECKELS. In what way?

Mr. HINDS. Well, if we should reduce the tariff, might not this general understanding of refiners, such as you have described in Canada, intervene?

Mr. SPRECKELS. I suppose you are able to enact such laws that will prohibit a combination. That is what I understand this investigation is for.

Mr. HINDS. The trouble is that such laws have been very difficult so far. Possibly this committee may help it. Then, from the example of the wisest nations of the earth, with one exception, perhaps, your idea that free trade stimulates manufacturing industries, and so forth, is still in the missionary stage—that is, it has not been generally accepted by the wisest nations?

Mr. SPRECKELS. Well, which is the wisest nation?

Mr. HINDS. I said the wisest nations, with one exception. I assume that Germany and France and the United States and Scandanavia and Austria and Italy and Canada and possibly Australia would be quite a preponderance of opinion against the single position of England, and especially as it is a debatable question now in England.

Mr. SPRECKELS. I do not know whether we have become wise or unwise in this country. We have had free sugar and we have had high tariff, and I think there are many in the Democratic Party, at least, who now would like to have a reduction.

Mr. HINDS. Perhaps I have gotten a little off the question, Mr. Spreckels, but your position as a great sugar refiner, and your enunciation of that principle has great influence, and I just wanted to test it with the major opinion of the world; that was all.

I will now pass from that matter. You testified that your father believed that beet sugar could be produced in this country for 2¾ cents per pound?

Mr. SPRECKELS. Yes; or less.

Mr. HINDS. And you put 3 cents a pound as a maximum?

Mr. SPRECKELS. Yes; I do.

Mr. HINDS. Now, it costs you more than that after you have paid your tariff and all, to turn out a pound of sugar, does it not? You can not turn out a pound of sugar from your refinery for 3 cents, can you?

Mr. SPRECKELS. To-day?

Mr. HINDS. Yes.

Mr. SPRECKELS. As I stated, we pay almost a cent and a half more per pound for our raw material alone than what the total cost of the refined product is.

Mr. HINDS. In other words, having bought your raw material and paid your duty, you can not turn out a pound of refined sugar for 3 cents?

Mr. SPRECKELS. Not if I pay the duty.

Mr. HINDS. And the beet people can do it?

Mr. SPRECKELS. Yes, sir.

Mr. HINDS. They do not have to pay any duty?

Mr. SPRECKELS. No, sir.

Mr. HINDS. Mr. Spreckels, if that is the case, why do not those beet people possess the market? Is that the reason why they are getting into New England and New York and the East?

Mr. SPRECKELS. They are getting into the East because the population of the West is not sufficiently large to take their product.

Mr. HINDS. And as they increase their product, they will get into the East still more, will they?

Mr. SPRECKELS. Yes; possibly they will, if they increase their product.

Mr. HINDS. Is there anything in the way of their increasing it?

Mr. SPRECKELS. Yes; by importing—making Asia a part of the United States. If you want nothing but Asiatic labor here, and this country to be populated by Asiatic people, I say they can.

Mr. HINDS. But aside from that, whatever conditions may be, is it not apparent that if conditions are as you state the cane industry in this country will be in a difficult position in a few years—the cane-refining industry?

Mr. SPRECKELS. I think the beet-sugar industry and the trust are an allied concern. I do not think the trust——

Mr. HINDS. That is not exactly my question. What I want to get at is, with the expenses you have for refining sugar in your cane refineries, how you can hold the field against these men who produce sugar for 3 cents a pound.

Mr. SPRECKELS. Well, we don't.

Mr. HINDS. In other words, they are pressing you, are they?

Mr. SPRECKELS. They are not pressing us. There is a limitation to it—to the extent of their production.

Mr. HINDS. What is the nature of that limitation?

Mr. SPRECKELS. To the extent of their production, the beet production. In other words, they produce 450,000 tons of beet sugar in this country.

Mr. HINDS. But they are growing all the time, are they not, in the amount of their production?

Mr. SPRECKELS. Not very much. They are not keeping pace with the consumption at all.

Mr. HINDS. Well, they estimate this year 500,000 tons.

Mr. SPRECKELS. That is an estimate. I do not know.

Mr. HINDS. I think that is the estimate which has been given us. The reason I ask you this question, Mr. Spreckels, is because of some reflections which were aroused in my mind by that brief which the Sugar Trust filed with the Ways and Means Committee three years ago. At that time the Sugar Trust wanted the tariff retained. Now, apparently, from their testimony, they want it reduced. But at that time they wanted it retained, and I suppose their interest in beet sugar was more lively. Now, the brief filed by the Sugar Trust leaves the impression on my mind that in Europe cane-sugar refining has nearly ceased, and that beet sugar dominates Europe to-day. Is not that so?

Mr. SPRECKELS. They never raised any cane sugar in Europe.

Mr. HINDS. No; but they might import the raw cane sugar and refine it.

Mr. SPRECKELS. In competition to what? I do not quite catch your question.

Mr. HINDS. Formerly in Europe, as I understand it, until the days of Napoleon, all the sugar of Europe was obtained by importing the cane and refining it. As I understand, Napoleon—France being shut off by England's blockade—set the chemists of France to work to discover a process of making sugar from beets.

Mr. SPRECKELS. That is true.

Mr. HINDS. And Mr. Daniel Webster at that time said in the House of Representatives that you might as well try to extract sunshine from cucumbers; but nevertheless, in spite of that dignified prophecy, is it not true that beet sugar has captured the market of Europe?

Mr. SPRECKELS. To an extent; yes.

Mr. HINDS. To a large extent?

Mr. SPRECKELS. To a large extent.

Mr. HINDS. In other words, the trust, in the brief which they filed, states, I believe, that cane-sugar refining was becoming almost negligible over there.

Mr. SPRECKELS. That is true.

Mr. HINDS. Now, on the whole, are not the people of Europe getting their sugar cheaper than they would get it if they had to rely on the cane?

Mr. SPRECKELS. I do not think so.

Mr. HINDS. Do you not think so?

Mr. SPRECKELS. No, sir; I do not. I think the price of sugar is higher in Europe.

Mr. HINDS. Yes; but they put internal-revenue taxes on it.

Mr. SPRECKELS. Yes; of course, they put the tariff on it.

Mr. HINDS. And it is the internal-revenue tax in Germany that makes the higher price?

Mr. SPRECKELS. Yes.

Mr. HINDS. The prices of sugar in Germany, with the internal-revenue tax off, would hardly be more than 3 or 3½ cents a pound, would it?

Mr. SPRECKELS. It would not be over that.

Mr. HINDS. It would be very cheap sugar?

Mr. SPRECKELS. Yes.

Mr. HINDS. And that is entirely beet sugar?

Mr. SPRECKELS. Entirely beet sugar.

Mr. HINDS. Then, it is a pretty broad question, is it not, this question as between cane sugar and beet sugar? That question, perhaps, leads nowhere, but is it not true that in the United States to-day there is a great battle going on between the beet sugar and the cane sugar?

Mr. SPRECKELS. I do not think so; not in my opinion.

Mr. HINDS. Well, competition is very severe, is it not?

Mr. SPRECKELS. No; I think competition is regulated by the American Sugar Refining Co., going right back to the same old story.

Mr. HINDS. Well, let us get away from that a little. Now, I will call your attention to the testimony of Mr. Arbuckle's partner, or associate, who complained of the inroad that beet sugar was making, saying it had got into New England, and you admit it has got as far east as that.

Mr. SPRECKELS. I believe it has.

Mr. HINDS. When you testified three years ago before the Ways and Means Committee, its eastward market seems to have been at Pittsburg. Now, must it not be that there is going on in this country a battle royal between beet sugar and cane sugar?

Mr. SPRECKELS. Yes.

Mr. HINDS. And is it not true that among the great sugar-consuming nations, we are the last stronghold of cane-sugar refining?

Mr. SPRECKELS. That is true.

Mr. HINDS. And that industry is being menaced by the beet sugar, evidently?

Mr. SPRECKELS. I do not admit that.

Mr. HINDS. Is not cane sugar menaced by the beet-sugar industry?

Mr. SPRECKELS. No; I do not think so.

Mr. HINDS. You do not think it menaces it?

Mr. SPRECKELS. No; it does not menace it.

Mr. HINDS. Mr. Spreckels, you have been carrying on a campaign to reduce the tariff as beneficial to the cane-sugar refiners.

Mr. SPRECKELS. I have.

Mr. HINDS. Of course, that will be damaging to the beet-sugar refiners?

Mr. SPRECKELS. To some extent it will.

Mr. HINDS. Now, I do not wish to express any opinion at all as to the merits of that controversy, but of course we are very anxious to get at the exact conditions. Now, three years ago, when the Sugar Trust filed that statement with the Ways and Means Committee, they were evidently in favor of a retention of the duty on sugar. Apparently, from the testimony of their officers and those interested now in the management of that company, they are veering the other way. Have you seen signs of that change of front on their part?

Mr. SPRECKELS. No; I have not, but you state that.

Mr. HINDS. Well, that is somewhat apparent from the testimony. It is a little surprising to us.

Mr. SPRECKELS. I want to say that I have not read the testimony yet. I have just returned from Europe, and I have had no opportunity of reading any of the testimony; but I was under the impression they were divided as to what would be better.

Mr. HINDS. Three years ago, when they filed that brief, is was a very strong document in favor of preserving the tariff on sugar.

Mr. SPRECKELS. Their contention at that time was that they could not exist without a tariff, and my contention is that they can. There is where we differ.

Mr. HINDS. The argument of that document seems to have been that cane-sugar refining was a very expensive process and that perhaps the more rational way of getting sugar was through the beet industry.

Mr. SPRECKELS. But that is not the fact. I do not care what the statement is, I claim that is not true.

Mr. HINDS. That is, notwithstanding the example of the Continent of Europe?

Mr. SPRECKELS. I claim it costs no more to refine cane sugar; if anything, it costs less than it does to refine beet sugar.

Mr. HINDS. That is, you think the cost of cane-sugar refining is less than beet-sugar refining?

Mr. SPRECKELS. If anything; it is no greater. But they state that it costs more to refine cane sugar than it does beet sugar.

Mr. HINDS. Well, of course, a layman is apt to be misled in these matters. Let me read you what they say, and possibly you can explain the point that I am confused about. In this statement filed by Mr. Heike before the Ways and Means Committee at the same time that you appeared and testified, at page 3432 they say:

> Not only is the actual cost of refining cane sugar greater than of refining beet sugar, in the matter of process, the number of men employed, etc., but the refining of cane sugar also involves a very much greater investment for additional filter houses, machinery, bone black, etc. The capital account is thus considerably larger and the depreciation charges also than if the refineries were equipped to handle beet sugar only.

Mr. SPRECKELS. Well, I take issue with Mr. Heike. I do not know whether Mr. Heike knows his subject or not, or knows what he is talking about.

Mr. HINDS. I assume he is acting only in an agency capacity, and that some of the sugar experts of the trust wrote the statement.

Mr. SPRECKELS. The statement is made by him.

Mr. HINDS. I think it is filed by him.

The CHAIRMAN. Mr. Heike admitted that he did not know anything about it.

Mr. HINDS. It is filed by the American Sugar Refining Co., by him. It is a statement of the company, and they go on and argue the matter on page 3436.

Now, Mr. Spreckels, it was testified in Washington that the movement for lowering the tariff on sugar, the movement which is going on now and in which you were interested, that your company had expended $12,000 for literature, etc.

Mr. SPRECKELS. Possibly. I do not know what the amount is. I dare say we have.

Mr. HINDS. I am not criticizing that expenditure. If you have a belief in a certain policy as beneficial to a certain industry, it is perfectly legitimate for you to propagate that idea and the arguments which sustain it. What I want to get at is this: Whether or not your willingness to take trouble and expense in this matter—what

the object of that is? Why do you go to so great an expense to accomplish it?

Mr. SPRECKELS. Because it has an advantage in many ways.

Mr. HINDS. To the cane-refining business?

Mr. SPRECKELS. And ultimately to the consumer. Now, if I may answer the question——

Mr. HINDS. Yes.

Mr. SPRECKELS. It gives a larger market not alone for ourselves, but for the beet industry and everybody else.

Mr. HINDS. Now, what I want to get at is, I think we are all interested that the consumer should get sugar as cheaply as possible, consistent with such demands as the Government may have for revenue. What we want to get at is in what method he is going to get sugar the cheapest in the long run.

Mr. SPRECKELS. Well, my answer to that is, remove the tariff absolutely.

Mr. HINDS. Yes; but what I want to get at is this, whether in doing that you are having in mind a judicious consideration of the interests of the consumer in the long run, or whether possibly you may not be a little swerved, as we all are, by this imminence of the danger to the cane-sugar industry?

Mr. SPRECKELS. Cane sugar down in Louisiana?

Mr. HINDS. Danger to cane-sugar refining in your refinery and other similar refineries, whether or not you may feel that cane-sugar refining in the United States is menaced, as it is in Europe or has been in Europe. It is nearly obsolete there now.

Mr. SPRECKELS. In other words, you want to find out the motive that inspires me?

Mr. HINDS. I think perhaps that would be a proper subject of inquiry.

Mr. SPRECKELS. Very well; I will tell you. The larger, and the more we can refine, the cheaper the cost per unit. We have less capital invested. We have capital, practically half of it, tied up in tariffs. The interest on that money is worth something, and all that will be eliminated; and we can produce double the quantity with the same capital then that we can now.

Mr. HINDS. Well, that is a legitimate business interest.

Mr. SPRECKELS. And, ultimately, the consumer gets the benefit of it.

Mr. HINDS. Now, what I would like to get at, Mr. Spreckels, is whether the Sugar Trust sympathizes with you in this matter, whether they are with you in this view and idea.

Mr. SPRECKELS. I do not think they are. I do not know.

Mr. HINDS. Have you had any consultation with any of them?

Mr. SPRECKELS. I have talked in a general way, but I do not think they and I agree. I have talked with Mr. Atkins about it. He is the only man I have talked with.

Mr. HINDS. Well, Mr. Atkins is favorable to a reduction of the duty on sugar?

Mr. SPRECKELS. I do not think quite in the same way I am.

Mr. HINDS. In other words, perhaps, you would take it all off, would you not, and have free trade?

Mr. SPRECKELS. I would have free trade.

Mr. HINDS. You would have free trade in sugar?

Mr. SPRECKELS. Absolutely.

Mr. HINDS. And Mr. Atkins only wants to go part of the way?

Mr. SPRECKELS. He only wants to go part of the way.

Mr. HINDS. So that the trust is a little behind you in the procession?

Mr. SPRECKELS. Well, a long ways behind me.

Mr. HINDS. Well, if we take off all that duty on sugar—of course this is something, perhaps, you have not thought of, but we must think of it—where will we get the the fifty or sixty millions dollars a year of revenue that the Government needs apparently at the present time?

Mr. SPRECKELS. Well, I am not a legislator; but if I were, I think there are a dozen ways to raise that revenue. There are just as many ways of raising revenue as there are ways of killing a cat.

Mr. HINDS. You suggested before the Ways and Means Committee three years ago that you would put some of it on tea and coffee, which I believe now escape entirely any revenue burden.

Mr. SPRECKELS. Well, if I had my own way I would have the tariff removed entirely, and I would raise the revenue, possibly, in an internal-revenue way; for example, as an outgo tax instead of an income tax.

Mr. HINDS. Have you modified your suggestion of three years ago that you would raise the revenue from tea and coffee?

Mr. SPRECKELS. No; that was merely a suggestion. I was asked about the matter, and I said I do not believe one article should stand the burden of the entire tariff. I think that is unfair.

Mr. HINDS. That is, it might be distributed between sugar and tea and coffee?

Mr. SPRECKELS. Yes; or anything else; automobiles or champagne, or anything else.

My own belief is that all articles of food should be free—tea, coffee, sugar, and everything of that sort—because every man is taxed more or less alike. He does not require to drink champagne, he does not require to eat caviar, but he does want something for the inner man, and he wants to give the inner man wholesome food, and sugar is one of the necessary articles that ought not to be taxed, approximately, 80 per cent. That is my view of it.

Mr. HINDS. I agree with you. I wish the tariff could be kept off of sugar, but we have to take the world somewhat as we find it, and we have to take the fiscal system of the country somewhat as we find it, and apparently every nation—that is, all of the civilized nations that we look to for models and for suggestions, apparently every one does raise vast quantities of revenue from sugar, does it not?

Mr. SPRECKELS. I suppose most of them do. But I do not say that most of them are right. They put a tax on coffee and on tea, just as well as they do on sugar.

Mr. HINDS. Yes; we might put a tax on coffee, but there is this suggestion, Mr. Spreckels, for some reason or other the American people get sugar nearer the cost price than almost any other article. For instance, sugar in the cheapest nation is only a little below our cost, but coffee, for instance, which I understand is laid down in New York ready for market at 10 cents a pound, costs the consumer from 25 to 35 cents. That is a peculiarity of sugar. The middleman seems

to sacrifice his profit on that, and query: Can not sugar bear this revenue tax better than coffee can, for instance?

Mr. SPRECKELS. Sugar is merely a leader. They use it as a leader. I suppose you are talking about the retailer. Sugar is one thing that attracts the public, attracts the housekeeper. It is the sweetest thing they buy, and they want to buy it as cheaply as they can, and the retailer uses it as a leader.

Mr. HINDS. And sugar is a uniform article?

Mr. SPRECKELS. Yes.

Mr. HINDS. Both the wholesaler and retailer in the United States, practically, do not get paid for their trouble in handling sugar, do they?

Mr. SPRECKELS. Oh, I think they are well paid. They get a profit on it.

Mr. HINDS. It is very small, is it not?

Mr. SPRECKELS. I guess their profit is just as large as the refiner's profit.

Mr. HINDS. Well, you all work on a small profit?

Mr. SPRECKELS. Yes.

Mr. HINDS. And if the Government must raise revenue, do you not think it better for the Government to take advantage of that situation as to sugar, and put the revenue where it will bring a minimum of hardship to the consumer, rather than put it on coffee, for instance, where that revenue might swell up the price 10 cents or more a pound to the consumer, and raise it from 35 to 45 cents?

Mr. SPRECKELS. Is it a hardship to put a tariff on automobiles. Is it a hardship to put a tariff on silk?

Mr. HINDS. No; I do not think it is.

Mr. SPRECKELS. I am drawing a comparison.

Mr. HINDS. And we have got a tariff on them all they will bear. I think the Payne bill raised the tariff on silk and champagne, did it not?

The CHAIRMAN. Not on raw silk.

Mr. SPRECKELS. My contention is that if you want to raise revenue, reduce your tariff. Reduce your tariff and you will get the revenue.

Mr. HINDS. Are you sure of that, Mr. Spreckels? Of course, this committee must be fairly sure of its ground.

Mr. SPRECKELS. Nobody can guarantee anything.

Mr. HINDS. No; but we ought to do very little guessing.

Mr. SPRECKELS. But I suppose that you as well as I could make a very good guess at it. If we know we can take the fruit products of this country and preserve them and put them into jellies, jams, and marmalades, and have a market all over the world, we will increase their consumption, and as we increase it our importations will be larger and the revenue will be larger by reason of the larger quantity we import.

Mr. HINDS. Well, Mr. Spreckels, do we not now, if any manufacturer wishes to make marmalades or things of that kind for the world's markets, give him a drawback?

Mr. SPRECKELS. We do; but the trouble of collecting that drawback makes it practically prohibitive. He can not export a case, because it costs him as much to collect the drawback, practically, as what he gets.

Mr. HINDS. I have the impression, and the members of the committee will correct me if I am in error, that Mr. Spreckels, of California, did testify that considerable sugar was being imported under that drawback provision and being used in California, where the fruits grow.

Mr. SPRECKELS. Yes, possibly; and there is a loss on that.

Mr. HINDS. As a matter of information, I will ask you if you have examined the drawback provision of the Payne law, as compared with the previous drawback provision?

Mr. SPRECKELS. I do not know that I have examined the Payne law on that.

Mr. HINDS. I have the impression that the drawback law was liberalized in that bill, but I do not know that, and I ask for information.

Mr. SPRECKELS. The drawback on sugar in fruit, is that what you mean?

Mr. HINDS. The drawback on articles on which there is a tariff. I have the impression that the Payne law liberalizes that feature.

Mr. GARRETT. You mean in an administrative way?

Mr. HINDS. Yes; I think so.

Mr. SPRECKELS. How much do you suppose is used per annum in that way?

Mr. HINDS. How much sugar is used in canning?

Mr. SPRECKELS. Yes.

Mr. HINDS. In this country?

Mr. SPRECKELS. Do you know?

Mr. HINDS. It has been testified before us that about one-third of our whole sugar consumption went into the manufactures.

Mr. SPRECKELS. I am speaking with reference to the amount that is exported in the shape of jellies and jams. I say it is infinitesimal, and I think your customhouse records will show that.

Mr. HINDS. Are you sure, Mr. Spreckels, that the lack of exportation of those things is due to our sugar situation, any more than it may be due to the fact that the English, who are a very aggressive people, may have the markets?

Mr. SPRECKELS. Oh, no. Why is it, then, that manufacturers go from this country over to England to do that very thing. Heinz has gone from Pittsburg, and they have established themselves in London.

Mr. HINDS. Do they not have possibly some patents in connection with their industry?

Mr. SPRECKELS. They could use those here. They do not have to go out of their own country.

Mr. HINDS. I think you will find a law of England that an article protected by her patents must be manufactured within her limits, and it is a great cause for the migration of large industries.

Mr. SPRECKELS. In other words, there is a patent in making jellies and jams? I did not know that.

Mr. HINDS. I do not know either. There was once. I do not know whether there is now or not. There are trade-marks, and I could not tell you whether the trade-mark law also applies there or not.

Mr. SPRECKELS. I should not think that it would apply to trade-marks.

Mr. HINDS. Possibly you would know better about that than I, but it is so as to patents. Whether trade-marks come under the same rule is something we can perhaps find out from some other witnesses, if necessary.

Mr. Spreckels, might it not be in the future, as the years go on, that possibly we would develop a domestic industry, the beet-sugar industry, to such an extent that it would do in this country what it has done in Germany—give us a cheap article, produced by our own labor and our own capital? Do you think that is reasonable?

Mr. SPRECKELS. No, sir.

Mr. HINDS. You do not?

Mr. SPRECKELS. I do not. I do not think we will ever see that condition. With 10 cents a pound duty you might do it. With such a sugar factory you have got to go to the countries and the places where nature intended the beet to grow, but you are building up an industry and building factories where nature never intended them to be placed. For instance, Louisiana—cane never was intended to be raised in Louisiana. It never matures there. They do not know what matured cane is in Louisiana. But it has been fostered by a high tariff, and we are to-day paying practically $150,000,000 in this country for the privilege of raising a light crop, the total value of which is about $150,000,000. Then why not buy your sugars at once?

Mr. HINDS. Now, that is interesting, and it is something we ought to know. Why are we different from Germany, Germany producing her own sugar, and we relying on tropical countries? What is the difference between Germany and the United States in that respect as to soil, climate, and so forth?

Mr. SPRECKELS. Germany is not a large country like this country. This country is like Europe.

Mr. HINDS. That is, you mean as to population?

Mr. SPRECKELS. They do not grow it in Italy; they are not successful there, nor in Switzerland. There are certain isolated places, and the same thing is true in this country.

Mr. HINDS. Does the climate of the United States correspond more nearly to Italy than to Germany?

Mr. SPRECKELS. We have a varied climate here.

Mr. HINDS. Have we any considerable area similar to Germany?

Mr. SPRECKELS. I doubt it.

Mr. HINDS. How much of Germany is adapted to beet culture?

Mr. SPRECKELS. In acres?

Mr. HINDS. Yes.

Mr. SPRECKELS. I will have to get you the statistics on that.

Mr. HINDS. Germany has only about 1,200,000 acres in beet cultivation, has she not?

Mr. SPRECKELS. I am not prepared to say how much there is.

Mr. HINDS. I think the figures we have show that.

Mr. SPRECKELS. I should say approximately that.

Mr. HINDS. And I think we have in this country about 400,000 acres, so far. I think that was the amount testified to in this hearing, located in the West and in various States. I think that is the estimate we were given. Now, the question I have in mind is whether or not we might find in the limits of the United States——

Mr. SPRECKELS (interposing). Acreage enough to produce sufficient for this country?

Mr. HINDS. Yes; three times as much acreage as that, which would produce beets.

Mr. SPRECKELS. The consumption in the United States is increasing at the ratio of 4½ per cent compounded, and has been doing that for the past 50 years, and they will never catch up to it.

Mr. HINDS. That is to say, what Germany has done, and what the European countries generally are doing, you think is not possible in the United States?

Mr. SPRECKELS. I do not think so.

Mr. HINDS. Have you been engaged in the beet-sugar industry yourself?

Mr. SPRECKELS. As an owner, no.

Mr. HINDS. Not practically engaged in it?

Mr. SPRECKELS. No.

Mr. HINDS. Where do you derive your knowledge of the beet-sugar industry? I am getting at how much of an expert you are.

Mr. SPRECKELS. I derived that from the knowledge of my father, who told me. I derived it also from the knowledge that during the first year's operation at the Watsonville factory I was there. I had the figures. I say now, and I have heard it repeatedly, and I have seen a statement made by Mr. Oxnard himself, over his signature, that it could be done for 3 cents.

Mr. HINDS. I ask you that not to be impertinent, but of course we rely upon your testimony.

Mr. SPRECKELS. I see, and I say now that this committee has an opportunity to find out the facts, if they want to, by subpœnaing the treasurers of the different companies and getting the actual figures. Then there will be no guesswork, and you will not be working in the dark, and you need not take my statement, but can take the actual figures for it.

Mr. RAKER. Where was that statement which you say Mr. Oxnard made in regard to it?

Mr. SPRECKELS. It was in a circular—Mr. Henry Oxnard was the one who sent out a circular when he was trying to enlist capital for the promotion of the beet industry.

Mr. HINDS. Do you believe the removal of the——

Mr. SPRECKELS (interposing). It is possible that I still have that circular.

Mr. HINDS. Do you believe the removal of the tariff would hamper the beet industry of the United States?

Mr. SPRECKELS. No; I claim it would not. They could compete, then, with the world.

Mr. HINDS. You think it would not scare capital or discourage those who wished to promote the industry?

Mr. SPRECKELS. No, sir; it would not.

Mr. HINDS. On what would you base that opinion—your knowledge as to the cost of production?

Mr. SPRECKELS. I think, if anything, it would invite capital, because it would soon be shown that these beet factories could live without a tariff, and once that is shown, capital would embark in that industry, and the first time they would do it, because they would

then for the first time know they are not dependent upon the tariff for an existence.

Mr. HINDS. Do you consider the cane-refining business unduly profitable in this country at the present time?

Mr. SPRECKELS. No; I do not. I have not heard it was unprofitable.

Mr. HINDS. When was your company organized—the Federal?

Mr. SPRECKELS. I beg your pardon—you were referring to refining?

Mr. HINDS. Yes.

Mr. SPRECKELS. Are the refineries profitable?

Mr. HINDS. Yes. Do you consider them unduly profitable?

Mr. SPRECKELS. No.

Mr. HINDS. The cane refineries?

Mr. SPRECKELS. No, sir; I do not.

Mr. HINDS. Your company, as you testified, was capitalized for about $3,500,000 of preferred?

Mr. SPRECKELS. Yes, sir.

Mr. HINDS. And $6,500,000 of stock, largely bonus?

Mr. SPRECKELS. Yes, sir.

Mr. HINDS. We have come across a great many of those bonuses in the sugar business. Can you tell me why you put in that bonus and what the object of the bonus is in the sugar industry?

Mr. SPRECKELS. You will have to ask some banker that question. They say they like to have something thrown in to sweeten it—in other words, it is a commission.

Mr. HINDS. Does the banker get that commission?

Mr. SPRECKELS. No; he takes a part of it, I suppose; I do not know. The banker or the subscriber to the stock gets it, I suppose.

Mr. HINDS. Has the value of your property come to that extent that there is value behind that $6,500,000?

Mr. SPRECKELS. Yes, sir; it has.

Mr. HINDS. When did you say you were organized?

Mr. SPRECKELS. I think it was 1901 or 1902—about 10 years ago.

Mr. HINDS. How much in dividends have you paid on the preferred stock in that time?

Mr. SPRECKELS. Six per cent.

Mr. HINDS. Every year for the 10 years?

Mr. SPRECKELS. Yes, sir.

Mr. HINDS. So that in 10 years the Federal Refinery has paid 6 per cent, you say?

Mr. SPRECKELS. Yes, sir.

Mr. HINDS. And made $6,500,000 in addition?

Mr. SPRECKELS. No; I did not say as much as that. I said approximately.

Mr. HINDS. And vitalized life into $6,500,000 of bonus?

Mr. SPRECKELS. In other words, we have practically doubled our capital in that time; in other words, another 10 per cent added to it, if that is what you are driving at.

Mr. HINDS. You say there is value now behind that $6,500,000? There was not when you organized.

Mr. SPRECKELS. There was not.

Mr. HINDS. So you have created that value?

Mr. SPRECKELS. We have created that value.

Mr. HINDS. Is not that a pretty profitable industry?

Mr. SPRECKELS. That is what I went into it for. If I had not thought so I would not have gone into the business.

Mr. HINDS. You have paid 6 per cent for 10 years?

Mr. SPRECKELS. Yes—call it 16 per cent per annum.

Mr. HINDS. And in that time you have also vitalized life into that $6,500,000 of bonus stock?

Mr. SPRECKELS. Yes, sir.

Mr. HINDS. Would you not think that is a pretty profitable industry?

Mr. SPRECKELS. Yes, I do; but not unduly so. I dare say a lot of people engaged in that business would not have made that 6 per cent.

Mr. HINDS. Suppose, Mr. Spreckels, you had been a philanthropist—I know you are not in business for philanthropy——

Mr. SPRECKELS (interposing). I hope you will not make such an accusation, because I am not.

Mr. HINDS. Oh, no; I will not do that. Supposing you had been a philanthropist——

Mr. SPRECKELS (interposing). That is pretty hard to suppose.

Mr. HINDS. How much would you have lowered the price in these 10 years to the consumer if you had been willing to leave that bonus stock in its old flaccid condition of being simply a bonus?

Mr. SPRECKELS. About one-tenth of a cent per pound—10 cents on the hundred pounds.

Mr. HINDS. That would have made things move a little in sugar, would it not?

Mr. SPRECKELS. No; not as much as that—about 5 cents on the hundred pounds.

Mr. HINDS. Do you think any of the beet-sugar refineries in this country are more profitable than your refinery, for instance?

Mr. SPRECKELS. I think so, but I am going to refer you to their own statements. If you will get those statements——

Mr. HINDS (interposing). But to an unskilled man, it would seem that if they can produce it for 3 cents and you have the tariff against you and are still paying as well as that, they are making a great deal of money?

Mr. SPRECKELS. Yes, sir; and that is what I believe they are. I can tell you as an instance that about 1887, about the time of the formation of the Sugar Trust, the Watsonville sugar factory was built at Watsonville, Cal. The first year of its operation it made 12 per cent. The following year it made 80 per cent. It was capitalized at $500,000. There was $400,000 of actual cash paid in, so they got more than the capital back within two years by $100,000.

Mr. HINDS. Is not that an exceptional case? The reason I ask that is that we have had that testimony before us, and I do not think——

Mr. SPRECKELS. I am talking about good management. That was managed by my father and was owned by him.

Mr. HINDS. Was not your father a remarkable sugar man?

Mr. SPRECKELS. Yes.

Mr. HINDS. Are there any such in America to-day, except yourself, possibly?

Mr. SPRECKELS. I beg your pardon, no; I do not claim that, far from it; but I can not speak about what other people think of themselves.

Mr. HINDS. Of course, I have heard of your father's reputation.

Mr. RAKER. What would Claus Spreckels have done in a place where it was profitable to manufacture sugar? They claim from the testimony that Watsonville was a failure.

Mr. SPRECKELS. I have heard it said.

Mr. RAKER. I rather thought it was funny when I heard it.

Mr. SPRECKELS. The records will prove that they made the first year 12 per cent and the next year 80 per cent.

Mr. RAKER. What would your father have done had he gone into a good country? [Laughter.]

Mr. HINES. When was it that refinery paid 80 per cent?

Mr. SPRECKELS. In 1889 or 1890.

Mr. HINDS. With the improvements and developments, that refinery now ought to be paying 1,000 per cent?

Mr. SPRECKELS. It is shut down and dismantled, and I will tell you why. Perhaps you would like to know the reason why?

Mr. HINDS. Yes.

Mr. SPRECKELS. They were paying at that time $4 per ton for their beets. The beets were not nearly as good as they are to-day. That was the first step toward the beet industry on a practical scale in this country. The farmer wanted to get more. Just about that time the Sugar Trust came in, and Mr. Havemeyer joined issue with my father. They kept on. They would not pay the farmer more than $4, and the farmer gradually planted fruit trees—apple trees; it is a great apple country, and before they knew it the orchards were producing, and they could not get any beets even at $5, and were compelled to shut down and locate their factory in another place, because they would not pay the price for the beets.

Mr. HINDS. That is, the Sugar Trust was the agency which shut that factory down?

Mr. SPRECKELS. Yes, sir; and it is shut down and dismantled now.

Mr. RAKER. And they could get more off of the land from their fruit and strawberries and other things than they could for the beets?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. In that locality.

Mr. HINDS. I do not doubt the power of the Sugar Trust.

Mr. SPRECKELS. No; it was bad policy; that is all.

Mr. HINDS. I do not doubt, from the testimony shown here, that the Sugar Trust to-day has a great part of the coast refining; that is, has all in Philadelphia, practically all in New Orleans, and practically all in Boston; that it has its great refinery here; has probably great prospects with the National Refinery here—has a great hold on that and probably will get it; that Mr. Arbuckle is a very aged man and possibly that the sugar-refining business may be looking for a protector some day, and that the situation is such it would seem that quite possibly the Sugar Trust within a limited time might have the whole swing of the refining business, except yourself, to whom we should look to hold out until the last minute. On that situation, query: Ought we not to be careful that we do not destroy a great

counterpoise industry in the interior of this country, the sugar beet? What do you think about that?

Mr. SPRECKELS. I am free to say that you would admit the beet-sugar industry, and they are all practically the same thing. We were the only thing outside. We tell you to give us the world's market and let everybody come in here.

Mr. HINDS. But if perchance we should, by lowering the tariff or taking it all off, unduly stimulate cane refineries and injure the beet industry, where might the American consumer be considered?

Mr. SPRECKELS. He would be in pocket $150,000,000 per annum. That is what he would be.

Mr. HINDS. If you can show us that, that will be interesting. Mr. Malby, my associate on the committee here, has figured it out that at best $90,000,000 would be the figure of saving, and $50,000,000 of that would come out of the Government; so that the consumers of the country would get but $40,000,000.

Mr. GARRETT. That is figured on the basis of the Cuban duty, or at least partly so.

Mr. MALBY. I assumed that all of it would pay 1½, which it does not.

Mr. SPRECKELS. I stick to my statement, and I will show you how.

Mr. HINDS. I will ask Mr. Malby if he sticks to his figures.

Mr. MALBY. He can give the figures upon which he bases his statement.

Mr. SPRECKELS. I will give mine in just one sentence.

Mr. RAKER. Let yours go in the record, Mr. Spreckels.

Mr. SPRECKELS. In 1910 the consumption of the United States was 3,350,355 tons. Those are long tons of 2,240 pounds to the ton. Figuring that out at approximately 2 cents a pound makes $150,000,000.

Mr. HINDS. But right there, is not 2 cents a pound excessive?

Mr. SPRECKELS. I say if the tariff were removed the reduction in price of sugar would be approximately 2 cents a pound.

Mr. HINDS. But do we not get most of our sugar at a rate of 1.348?

Mr. SPRECKELS. We have to figure the world's market plus the duty. Sometimes you get that concession and sometimes you do not.

Mr. HINDS. But right there is the point: Mr. Atkins testified we generally did get it, and so did you, I believe. Then ought we not to take the situation as it is practically rather than as it is theoretically?

Mr. MALBY. In other words, you add half a cent more than the duty—three-quarters of a cent more than you say you actually pay?

Mr. SPRECKELS. No, sir. We pay on 96 test, but we do not pay on refined. You have to bring that up to 100 per cent; that is what you have to do.

Mr. MALBY. You pay 1.348 on the value?

Mr. MADISON. 1.685 is the 96 sugar.

Mr. SPRECKELS. It is 1.825 plus the differential of 7.5, which is 1.90 on granulated sugar.

Mr. HINDS. But after all, the thing that really tells in your sugar price is the duty on the raw sugar?

Mr. SPRECKELS. Yes.

Mr. HINDS. And that is theoretically 1.68?

Mr. SPRECKELS. And if you take the tariff off you can reduce it 2 cents a pound, because you have gained what you now lose in the loss you are paying duty on—the loss in the refining.

Mr. HINDS. The refiners would gain something of that sort?

Mr. SPRECKELS. Why should they gain?

Mr. HINDS. It is the refiner that makes the loss on the sugar, is it not?

Mr. SPRECKELS. But it goes to the consumer again. He is enabled to reduce his price all the way from 7 to 10 cents.

Mr. RAKER. I have always understood that the importer or the manufacturer always paid that, Mr. Spreckels?

Mr. SPRECKELS. They do?

Mr. RAKER. Is not that right?

Mr. SPRECKELS. They pay the duty, you mean?

Mr. RAKER. Yes.

Mr. SPRECKELS. They pay the duty, but there is a loss to the manufacturer, and he has to recoup himself by charging that much more to the consumer. There is a mechanical loss.

Mr. HINDS. There is a mechanical loss, and you are charging that mechanical loss up at 2 cents a pound?

Mr. SPRECKELS. No, sir; I say that will bring it up plus the 1.90 to practically 2 cents a pound. If you are working with free sugar——

Mr. HINDS (interposing). That is, for the pounds of sugar he loses?

Mr. SPRECKELS. We are talking about what the consumer will ultimately benefit.

Mr. HINDS. You lose 7 pounds of sugar out of 100?

Mr. SPRECKELS. Yes.

Mr. HINDS. You would lose that anyway under free sugar or any other kind of sugar.

Mr. SPRECKELS. Yes; but under free sugar we would not lose so much, because we would gain the difference on the tariff. We are losing 7 pounds of tariff.

Mr. HINDS. You would gain 1.35?

Mr. SPRECKELS. 1.35 times 7, which is practically 10 cents a hundred.

Mr. HINDS. That is about what you could have made up if you——

Mr. SPRECKELS (interposing). We gain 10 cents a hundred under free trade.

Mr. HINDS. That is one-tenth of a cent a pound?

Mr. SPRECKELS. Yes.

Mr. HINDS. That is exactly what you might have reduced the price of sugar if you had let that $6,500,000 of bonus go by the board, so that possibly it may be that that thing might work itself out through the benevolence of the refiner.

Mr. SPRECKELS. Yes; but I am not in business for that purpose.

Mr. HINDS. I will not go further, perhaps, into how much the American people would save right on that point. But you are computing the total consumption of sugar in the United States, are you, which is about 81 pounds to the individual?

Mr. SPRECKELS. Yes.

Mr. HINDS. How much of that does the individual buy at the store?

Mr. SPRECKELS. Of the total consumption?

Mr. HINDS. Yes.

Mr. SPRECKELS. All of it, I guess; we do not deal with——

Mr. HINDS (interposing). Does not a great deal of that go into manufacturing?

Mr. SPRECKELS. I do not know what the percentage would be. There is a good deal used; there is a good deal used in condensed milk and some in crackers and some in candy.

Mr. HINDS. I think Mr. Spreckels of California estimated the consumption of the individual, that which he buys, at 30 pounds to the individual, and that the rest went into manufacturing. I may be wrong about Mr. Spreckels, but it was one of the western sugar men.

Mr. SPRECKELS. All I can say is that whoever says so has another think coming. He does not know.

Mr. HINDS. Let me call your attention to the report of the British Board of Trade as to the cost of living in the United States. Their estimate showed that the amount of sugar used in this country by the individual who goes to the store and buys it for his household amounted to about 50 to 55 pounds to the individual. That would be about two-thirds of our consumption, leaving the other one-third to manufacturers.

Mr. SPRECKELS. That applies to England?

Mr. HINDS. No; to this country. They came over here and investigated our sugar situation. What would you say of that estimate?

Mr. SPRECKELS. I should like to see how they arrive at the estimate. I claim there is no human being knows that.

Mr. HINDS. Is it not true that immense quantities of sugar are used in tobacco?

Mr. SPRECKELS. Not large quantities; there is some.

Mr. HINDS. And in condensed milk?

Mr. SPRECKELS. Yes.

Mr. HINDS. And in the canning industry?

Mr. SPRECKELS. Yes.

Mr. HINDS. And in chewing gum?

Mr. SPRECKELS. Yes.

Mr. HINDS. And in a great variety of manufactured articles?

Mr. SPRECKELS. Yes.

Mr. GARRETT. And wines?

Mr. HINDS. Wines and whiskies and other such articles, as my colleague suggests?

Mr. SPRECKELS. And you do not want to forget soda water; he may drink that. [Laughter.]

Mr. HINDS. Would you think it unreasonable that one-third of our annual consumption will go for those purposes?

Mr. SPRECKELS. I am not prepared to make that statement, and I do not think anybody else is. That is my opinion, because I do not know how they can arrive at any such statement.

Mr. HINDS. The testimony we have had indicated some such conclusion. If that is so, you would want to take off the third that the consumer would surely get? You would not want to guarantee that that sugar which filtered out to the Tobacco Trust and the Condensed

Milk Trust and the Chewing Gum Trust would surely get to the consumer?

Mr. SPRECKELS. Does the Tobacco Trust export its product, or is it used in this country? Does the Whisky Trust export its product, or is it used in this country? Is the soda water used in this country or taken abroad? Whether it goes into manufacture or goes into consumption into the stomach direct makes no difference; it gets to the consumer.

Mr. HINDS. Do you think, the way the business is run now, the manufacturer is earnest to save to the consumer these small incidental savings?

Mr. SPRECKELS. Primarily he is trying to look after himself first. I admit that.

Mr. HINDS. In other words, there is, perhaps, a spoonful of sugar in a can of condensed milk, and it would be a very small fraction of a cent that that sugar would cost. Do you really think when that can of milk went to the consumer he would really get any difference in it?

Mr. SPRECKELS. Yes; they might make their can a little bit larger. The fact is the consumption is 80 pounds or thereabouts. It is 100 pounds in England——

Mr. HINDS (interposing). Excuse me, but the British Board of Trade indicated that the consumption of sugar in England by the family that goes and buys it out of the store is about the same as it is here—the average consumption.

Mr. SPRECKELS. How much do they say that is?

Mr. HINDS. There is about a quarter of a pound difference.

Mr. SPRECKELS. How much do they say goes to the consumer directly?

Mr. HINDS. The figures from their report would indicate 50 to 55 pounds a year.

Mr. SPRECKELS. That 50 pounds a year go to the consumer?

Mr. HINDS. That would be two-thirds of the whole consumption goes to the consumer, as we understand the consumer—the householder who buys and the one we are looking after more than all others.

Mr. SPRECKELS. Two-thirds of their consumption goes to the consumer—is that what I understand?

Mr. HINDS. I will not say two-thirds of their consumption.

Mr. SPRECKELS. The consumption is estimated at 100 pounds.

Mr. RAKER. There is a little misunderstanding between Mr. Hinds and the witness.

Mr. SPRECKELS. Let me get the question straight, and then I will answer it.

Mr. HINDS. Pardon me a moment and I will look those figures up.

Mr. MALBY. While Mr. Hinds is looking for those figures, there is a suggestion which I would like to ask you about. This is one of the things we wanted to know about. Willett & Gray are regarded as a reputable firm in the quoting of prices of sugar, are they not?

Mr. SPRECKELS. They are statisticians.

Mr. HINDS. Are they regarded by the trade as being a reputable firm?

Mr. SPRECKELS. I can not say that everybody believes in their figures, but they are taken, and people have to believe in the figures because we always think that the other fellow believes in them.

Mr. MALBY. I think you stated there was a difference between the price of sugar at wholesale in New York and in San Francisco of something like 1 cent a pound at wholesale?

Mr. SPRECKELS. Yes.

Mr. MALBY. Will you make a memorandum and produce from that authority, or any other authority, reliable authority, a statement showing a time when the quotations between New York and San Francisco were on a basis of the difference of 1 cent a pound?

Mr. SPRECKELS. Yes.

Mr. RAKER. Why do you speak that way about Willett & Gray? I would like to know. I have been seeking information on that subject for a couple of weeks, and I would like to have your explanation of it.

Mr. SPRECKELS. I think the figures are very largely made up to suit the policy of the trust.

Mr. RAKER. Is it not a fact they have been at times, and even in starting in, the agents of the trust and employed by them?

Mr. SPRECKELS. My understanding has been that ever since the organization of the trust they have been, and have been subsidized by them. My authority on that is Mr. John E. Searles.

Mr. RAKER. What did Searles say about that?

Mr. SPRECKELS. At that time I was in Philadelphia, and I happened to be in Mr. Searles's office in New York, and a statement of figures were called upon by Willett & Gray. They came in to get the figures. He said, "I have not had time to look over it," and I was present at the time when a messenger came in to get the figures and the comments. He passed them over and glanced over them and said, "Well, let it go." I said, "What have you to do with Willett & Gray?" He said, "We have to control that, and we pay them so much a month." That was in 1889, and naturally I suppose——

Mr. RAKER (interposing). A man can draw his own conclusions from that?

Mr. SPRECKELS. A man can draw his own conclusions from that. For example, as an illustration, I will show you: They give from week to week the meltings by the refineries. Last week there were 48,000 tons melted and consumed by the refineries. Nobody knows what the Federal has produced. How do they know it? They never inquire from us.

Mr. MALBY. Of course, the prices would be an easier matter to keep track of and find out that the amount turned out by each of the refineries, would it not?

Mr. SPRECKELS. The prices themselves, yes.

Mr. MALBY. The wholesale prices would be a matter quite of common knowledge?

Mr. SPRECKELS. They would be reliable, because that is an open secret. There is no secret about the prices; but as to stocks on hand and otherwise, they are not regarded as accurate.

Mr. MALBY. Everybody knows from week to week whether they quote prices correctly as to the wholesale prices, do they not?

Mr. SPRECKELS. Yes, sir, and I would say they are substantially correct.

Mr. HINDS. I have here the report of the British Board of Trade on the cost of living in the principal industrial towns of the United

States. It is a document of the United States Senate of this session, and they give the quantity of sugar in the average British budget for the British family at 5⅓ pounds, and the quantity in the average American budget at 5¼ pounds. I assume that that means the use of sugar in the American family and British family is about the same.

Mr. SPRECKELS. For what length of time? Or is it per capita?

Mr. HINDS. They are giving the family budgets. They are getting at the cost of living, and they give it so much sugar and also as to a great variety of other articles.

Mr. SPRECKELS. Is that $30 a year?

Mr. HINDS. That would be for a family, 5½ pounds a week, I presume.

Mr. SPRECKELS. Is this a weekly budget?

Mr. HINDS. No; these are pounds in weight that I am talking about—5⅓ pounds for the average British family and 5¼ pounds for the average American family.

Mr. SPRECKELS. Practically the same?

Mr. HINDS. Yes. So I would get at the idea that the consumption of sugar by the family—that is, by those who buy from the stores and who are the real consumers, in whom we are interested, because a reduction of price to them is the real thing; a reduction of price to somebody who sells to them an article in which sugar is used may be an unreal thing.

Mr. SPRECKELS. Why is it then that England's per capita consumption is 100 pounds as against the United States of only 80 pounds?

Mr. HINDS. England takes in canning and every other industrial occupation. She is a different nation from us entirely.

Mr. SPRECKELS. You do not think that would be of advantage to this country to have like industries, do you?

Mr. HINDS. Do you not think our industries ought to be proportionate in this country?

Mr. SPRECKELS. I think they are disproportionate.

Mr. HINDS. Would you have us buy our foods abroad and send them canned goods for them?

Mr. SPRECKELS. Do you not think we ought to have that proportion like England's?

Mr. HINDS. They are an exception to every other civilized nation. Only 12 per cent of their value is in agriculture, and a blockade of a month brings them to their knees. Do we want to weaken ourselves quite to that extent?

Mr. SPRECKELS. How are you going to raise sugar in this country? Suppose we were blockaded?

Mr. HINDS. That is one of the questions, whether we want to put all of our eggs in the cane-sugar basket.

Mr. SPRECKELS. You are dependent to-day and have been dependent for 20 years for beet seed in this country; that is imported from Europe. You do not raise any beet seed in this country.

Mr. HINDS. Might we not if the industry developed?

Mr. SPRECKELS. My dear man, they have been trying it now for over 20 years—since 1887—25 years.

Mr. HINDS. Do you mean they can not raise beet seed?

Mr. SPRECKELS. They do not.

Mr. HINDS. It is more profitable to import it from Germany, I presume, is it not? They might do it if we were blockaded.

Mr. SPRECKELS. What will become of the industry if we are blockaded? Suppose to-morrow you are blockaded, will you wipe that out?

Mr. HINDS. They fretted along with the beet in Napoleon's time.

Mr. SPRECKELS. But they had the beet seed. There is no beet seed in this country.

Mr. HINDS. Might we not get them very soon?

Mr. SPRECKELS. But we had better hurry up. It has been going on 25 years, and if they can not do it in that time, I do not think they ever can.

Mr. HINDS. That is just the question that is puzzling us, and that is what is for the highest benefit of the American consumer.

Mr. SPRECKELS. You are going back to raising revenue. What shall you put the duty on? Put a duty of $10 a pound on beet seed and compel them to raise it here. Make it prohibitive. Force them to raise the seed here.

Mr. HINDS. How much revenue would that yield here?

Mr. SPRECKELS. I do not know. Perhaps Mr. Oxnard can tell us how much beet seed we import. I do not know.

Mr. HINDS. Of course we are after $60,000,000 of revenue.

Mr. SPRECKELS. Put it high enough, and you will get it. Why not put it on the beets that come in from Canada?

Mr. HINDS. I tried my best to do so, but some of the others of the committee were against it.

Mr. SPRECKELS. You are willing to bring in the beets. They are still on the free list.

Mr. HINDS. No; beets are not on the free list.

Mr. SPRECKELS. I was under that impression.

Mr. HINDS. They are not specified in the present tariff. I think they are carried in a basket clause with other vegetables.

Mr. SPRECKELS. I am almost positive beets are free. Beet seeds are free.

Mr. HINDS. It may be; I am not speaking with authority.

Would you not, in view of our examination of the consumption of sugar, modify your figures a little possibly as to what would probably be the saving to the consumer?

Mr. SPRECKELS. No.

Mr. HINDS. We want to get that accurate, because it is an important matter with us.

Mr. SPRECKELS. I still maintain the saving would be about $150,000,000 per annum.

Mr. HINDS. You think if one-third of the sugar consumption goes into the manufacturers, the consumer would make his saving on that?

Mr. SPRECKELS. Yes, sir. When he chews tobacco, he gets it in his tobacco and he consumes it.

Mr. HINDS. You think he would get his tobacco cheaper because of a reduction in the duty on sugar?

Mr. SPRECKELS. I think it would follow. Instead of five sticks of chewing candy for a nickel, you will get six, or perhaps a larger piece of candy.

Mr. HINDS. That is one of the things we wish to be assured of, and we appreciate your judgment as to it.

Mr. SPRECKELS. That is my opinion.

Mr. MALBY. Sugar beets are 10 per cent ad valorem.

Mr. HINDS. We find in the tariff that sugar beets are 10 per cent ad valorem. They probably will be free under the reciprocity agreement when it goes into effect, if it is passed.

Mr. SPRECKELS. Then they are not free. I am mistaken on that. I thought they were free.

Mr. HINDS. I think, Mr. Chairman, I have asked all the questions I desire to.

The CHAIRMAN. Mr. Garrett, you may proceed.

Mr. GARRETT. Mr. Spreckels, were there any reasons given by the Hawaiian factors—is that the corect designation?

Mr. SPRECKELS. The Factors Company, it is called, I think; I do not know.

Mr. GARRETT. Was there any reason given by them for not trading with you?

Mr. SPRECKELS. No reasons at all.

Mr. GARRETT. They did not give any reasons for refusing to trade with you?

Mr. SPRECKELS. The committee went back and reported to the planters that I would not trade with them.

Mr. GARRETT. Was that untrue?

Mr. SPRECKELS. It was absolutely untrue, and I am now under oath, and I repeat what I said this morning in regard to it, that any such statements are untrue. I have repeatedly had occasion to tell many of the planters of that fact.

Mr. GARRETT. Something was said a few moments ago by Mr. Hinds as to the protective duty laid in Germany. I do not know whether I understood clearly just what your reply meant.

Mr. SPRECKELS. I am not acquainted with the German tariff.

Mr. GARRETT. You are acquainted with the fact that Germany levies an internal-revenue tax?

Mr. SPRECKELS. That is my impression.

Mr. GARRETT. And quite naturally it must levy a protective duty in some sort of form equal to the internal-revenue tax, must it not?

Mr. SPRECKELS. That is probably the reason why; I do not know.

Mr. GARRETT. For instance, we lay an internal-revenue tax upon alcohol.

Mr. SPRECKELS. And therefore would have a duty on the alcohol itself.

Mr. GARRETT. And in the very nature of things we must have a duty upon imported alcohol, or else our internal-revenue would not be protected?

Mr. SPRECKELS. Precisely.

Mr. GARRETT. And the entire product consumed would come from abroad if there was not some duty of some sort on it?

Mr. SPRECKELS. Certainly.

Mr. MADISON. Is it not true, if I may interpolate there, that in the case of Germany the duty is levied upon the retail sale of sugar—that is, the internal revenue?

Mr. SPRECKELS. I do not know. I am not familiar with the laws of Germany in that respect.

Mr. MADISON. I understand that is true.

Mr. SPRECKELS. I do not know.

Mr. MADISON. So it would not require a protective duty for that purpose—that is, for the purpose of protecting the German—because every pound sold at retail in Germany, whether it was foreign or domestic sugar, would be taxed the amount of the internal revenue?

Mr. SPRECKELS. But the retailer can import it just as well as the wholesaler.

Mr. GARRETT. Of course, that is true if the retailer sells it, but in some form it would have to be carried back, whether you call it an internal-revenue duty on foreign sugar sold or whether you call it protective duty, or whatever it may be; there must necessarily be that duty on imported sugars in some form, laid in some form, that there is in the form of internal revenue on domestic sugar, in the very nature of things, just as it is in this country on these products on which we raise an internal-revenue tax. I understand the duty, as a matter of fact, as the chairman has just stated to me, is about one-half cent more than the internal-revenue tax. The protective duty laid by Germany is just about one-half cent more than the internal-revenue tax.

Were you pretty familiar, Mr. Spreckels, with the contest for the Cuban reciprocity?

Mr. SPRECKELS. No; I took no active interest in that.

Mr. GARRETT. You do not know the details of that fight, do you?

Mr. SPRECKELS. No; I do not. I only know by hearsay that the Louisiana planters and the beet industry were at that time opposed to it. Beyond that I do not know anything about it. They were opposed to that the same as they were opposed to the Hawaiian annexation. They were arguing that they would be ruined by Hawaii, which they have not been.

Mr. GARRETT. And the Philippines?

Mr. SPRECKELS. And the Philippines.

Mr. GARRETT. Every step toward reduction has always been met with strong opposition?

Mr. SPRECKELS. Yes, sir.

Mr. GARRETT. However, a part of the beet-sugar people at least did finally come to the support of the Cuban reciprocity, did they not?

Mr. SPRECKELS. As I say, I am not familiar with it. I do not know. I imagine they all got into the same bed.

Mr. GARRETT. What I was wondering was whether or not you knew if there was any sort of agreement between the American Sugar Refining Co.—whether they had any part in it—whether that was any part of the purpose of the American Sugar Refining Co. in going into the beet-sugar business?

Mr. SPRECKELS. I took no interest in it whatsoever and do not know.

Mr. GARRETT. And whether or not there was any sort of agreement, similar to the great agreement of 1867, between the raw wool growers and the woolen manufacturers which has lasted so well up to this day?

Mr. SPRECKELS. I do not know.

Mr. GARRETT. Whether any similar thing took place at that time?

Mr. SPRECKELS. I do not know.

Mr. GARRETT. Mr. Spreckels, what do you think would happen if you were to undertake to enter the Louisiana market for raw sugar?

Mr. SPRECKELS. To-day?

Mr. GARRETT. Yes.

Mr. SPRECKELS. We might possibly get some sugar. I do not know. It depends somewhat on my attitude as to the tariff. If they thought they could give us a little sugar and in that way get rid of any opposition on the tariff question and the maintenance of the tariff, they might give us some, but I think after the tariff bill was passed we would not get it.

Mr. GARRETT. Have you any reason to believe that one of the controlling reasons in the minds of the planters at the time you sought to make purchases in 1907 was due to your attitude on the tariff at that time?

Mr. SPRECKELS. The reason they did not give it to us?

Mr. GARRETT. Yes.

Mr. SPRECKELS. No, sir.

Mr. GARRETT. Do you think it had anything to do with it?

Mr. SPRECKELS. No, sir; that was prior to any tariff agitation. The tariff agitation did not come up then.

Mr. GARRETT. In 1907 you were not known as a free-sugar man?

Mr. SPRECKELS. No, sir.

Mr. GARRETT. So that could have played no part in it at that time?

Mr. SPRECKELS. It played no part. My own belief is they were simply intimidated by the American Sugar Refining Co. not to let us have any.

Mr. GARRETT. They were afraid to sell?

Mr. SPRECKELS. Yes.

Mr. GARRETT. If you got in there to buy sugar, do you imagine the American Sugar Refining Co. would undertake to deal with you in any way directly, or do you think they would strike wholly at those planters down there?

Mr. SPRECKELS. I think they would strike at the planters.

Mr. GARRETT. You do not anticipate they would strike at you by trying to undersell you in the market and drive you out of business?

Mr. SPRECKELS. No. I think they would have done that long ago if they could.

Mr. GARRETT. You do not think they would try to punish you in that way?

Mr. SPRECKELS. They have been trying it ever since they have been in business.

Mr. GARRETT. There is no element of fear on your part——

Mr. SPRECKELS (interposing). None whatever.

Mr. GARRETT. There is no element of fear on your part toward the American Sugar Refining Co. that prevents you from making another effort to buy sugars in the Louisiana market?

Mr. SPRECKELS. None whatever. If I were convinced I could get a full cargo and knew I could buy sugars there at an equal price, I would enter the market to-morrow.

Mr. GARRETT. Reference has been made to the drawback provision in the tariff law, and to the fact that manufacturers of jellies and jams and marmalades, and so forth, if they desire to do so, could import sugar and use it in that manufacture, and then on what they export they could get a drawback?

Mr. SPRECKELS. They could do it, and do not have to patronize the refineries for that.

Mr. GARRETT. That, of course, is a complicated routine?

Mr. SPRECKELS. It is a complex routine, and in small quantities of exporting the cost of doing the business is as much as the drawback would amount to.

Mr. GARRETT. As a matter of fact, for the economical production of jams and marmalades and preserves, and things of that character, it does not require large plants and large capital, does it?

Mr. SPRECKELS. No, sir.

Mr. GARRETT. On almost every fruit-growing farm that can be done at small expense, so far as the mechanical appliances are concerned?

Mr. SPRECKELS. It can be done anywhere, on any farm.

Mr. GARRETT. If the process of manufacture in that respect could be cheapened, not only would it give us an advantage in the matter of export trade, but would it not increase to the real benefit of the people tremendously our home trade in those very products?

Mr. SPRECKELS. I certainly believe it would; and not alone that, but we are raising an enormous amount of product that to-day is raised for nothing; in other words, apples and pears that are not suitable to be shipped to the markets for table use that could be used and utilized in jelly.

Mr. GARRETT. A large product that is now wasted?

Mr. SPRECKELS. Yes. That product is positively wasted to-day because they have no use for it. We are growing a product and burying it again and growing it from year to year, with no use for it.

Mr. GARRETT. You have been in Cuba frequently, I presume?

Mr. SPRECKELS. Never.

Mr. GARRETT. You were never there?

Mr. SPRECKELS. Never.

Mr. GARRETT. Were you in Porto Rico?

Mr. SPRECKELS. Never.

Mr. GARRETT. I was wondering if you knew how the machinery used in the manufacture of raw sugar in Louisiana compared with the machinery used in Cuba and Porto Rico.

Mr. SPRECKELS. I only know by hearsay.

Mr. GARRETT. What do you know about that from hearsay?

Mr. SPRECKELS. They say it is obsolete.

Mr. GARRETT. Do you mean there is much better quality of machinery used in Cuba and Porto Rico than in Louisiana?

Mr. SPRECKELS. Yes, sir; and better in Hawaii than Louisiana.

Mr. GARRETT. You have seen the machinery in Louisiana?

Mr. SPRECKELS. Some years ago I saw it; yes. I saw 20 or 30 different mills.

Mr. GARRETT. Do you remember when the war was on between the American Sugar Refining Co. and Arbuckles?

Mr. SPRECKELS. I do—that is, I was not in business at the time, but I knew it in a general way.

Mr. GARRETT. You were not in business at that time?

Mr. SPRECKELS. Not in the refining business. I was in Hawaii at that time, but I knew of it.

Mr. GARRETT. Was there any effort made in any sort of a way to bring you into that on either side?

Mr. SPRECKELS. No, no; excepting subsequently Mr. Arbuckle would frequently tell me we ought to reduce our capacity, and he

told me about the fight that they had with Havemeyer, and that finally Havemeyer sent for him—or, rather, did not send for him, but sent to him, stating he would like to see him, and he would go over to Brooklyn to see him, but Mr. Arbuckle thought that, Mr. Havemeyer being a very powerful man in the sugar business, he would not trouble him for that, but called at his house, which he did.

Mr. GARRETT. Did he tell you what happened?

Mr. SPRECKELS. Yes; he did.

Mr. GARRETT. We will be glad to know about that.

Mr. SPRECKELS. He told me what a nice man Mr. Havemeyer was. He said, "You ought to know him." I said, "I know him pretty well, perhaps better than you do." He said, "He is a man of great culture, a man of refinement. I entered his house, and what do you suppose he was doing? What do you suppose I saw? Mr. Havemeyer playing the violin." I said, "Yes, I have heard of a man called Nero who also played the fiddle." He said, "Let us get down to it now; can't you reduce your melt"—that is, the production?

Mr. GARRETT. He wanted you to reduce the production of the Federal Refinery?

Mr. SPRECKELS. Yes. He said, "We have reduced our melt, our production, and we have a capacity for two and a quarter million pounds or thereabouts, but we are only manufacturing one and a half million." I said, "Mr. Arbuckle, every pound that the Federal can put through will be put through, and if we can add another pound to it we will do it, and so long as I am connected with the institution it never will reduce its melt 1 pound, but, on the contrary, we will extend as much as we can." Repeatedly he asked me in the same way and begged me to say whether we could not reduce our melt. I said, "No, sir; we will not do it."

Mr. GARRETT. What was the date of that conversation that you had with Mr. Arbuckle?

Mr. SPRECKELS. About four years ago, and again about three years ago.

Mr. GARRETT. How long was that after the war had ceased between the American Sugar Refining Co. and the Arbuckles?

Mr. SPRECKELS. I should say four or five years. Without looking up the date, I can not remember when the war was, or rather when peace was declared.

Mr. GARRETT. I suppose our record will show when it was. You understood from that conversation that it was as a result of this conference between Mr. Arbuckle and Mr. Havemeyer that the actual amount produced by the Arbuckles had been reduced?

Mr. SPRECKELS. That was the gist of it. That is what I understood.

Mr. GARRETT. Did Mr. Arbuckle tell you he had come to terms with Havemeyer?

Mr. SPRECKELS. He said they had buried the hatchet. I think that is the expression he used.

Mr. GARRETT. And he had reduced his output?

Mr. SPRECKELS. He did not say it was the outcome, but he told me what a nice man he was, and he said, "What you ought to do is to reduce your capacity." He said, "I have reduced my capacity; we are only melting 1,500,000, while our capacity is two and a quarter or two and a half millions," whatever it may be.

Mr. GARRETT. And you say that was about four years ago, and again about three years ago?

Mr. SPRECKELS. Yes; and frequently. He has always alluded to it, and I have always closed the conversation by saying, "You know what my views are on that," and I never would consent to reduce it.

Mr. GARRETT. Is that Mr. John Arbuckle?

Mr. SPRECKELS. Yes. I told him I would rather do business at a loss.

Mr. GARRETT. What reason did he assign as to why you ought to reduce your melting capacity?

Mr. SPRECKELS. That we would make more money. He said we could make a larger margin on a small production, and that the price would be sustained and go up. In fact, during one interval, he said, "We will split the market wide open, and I do not care if you lose a million." I said, "I do not think you are that kind of a man. However, if that is your conclusion, go ahead and do it. We will stay with the game."

Mr. GARRETT. Has anyone else connected with the sugar business, besides Mr. Arbuckle, ever tried to get you to reduce your melting capacity since you have been connected with the Federal?

Mr. SPRECKELS. Yes; frequently. Within the past year Mr. Warner has been to see me—Mr. Warner, of the Warner Sugar Refining Co.—and also suggested we ought to reduce our melt. I said, "You do as you please, but, so far as I am concerned, I know my business, and I will not do it."

Mr. GARRETT. Did he insist for the same reasons given by Mr. Arbuckle—that it would be more profitable?

Mr. SPRECKELS. I do not know that he stated it in those words. I think he said it would create a better feeling, whatever that may be. Some people feel better when they make more money. I do not know what he meant by it.

Mr. GARRETT. You understood he meant it would create a better feeling among the sugar refiners?

Mr. SPRECKELS. Yes.

Mr. GARRETT. Was there anyone else besides Mr. Warner?

Mr. SPRECKELS. No; those are the only two.

Mr. GARRETT. No one connected with the National has ever made any such proposition?

Mr. SPRECKELS. No one ever connected with the National and no one connected with the American; but I take it they were sent by them; I do not know.

Mr. GARRETT. You would assume they were sent by them?

Mr. SPRECKELS. I assume that; I do not know what interest they might have otherwise.

Mr. GARRETT. Was there any other comment offered by Mr. Arbuckle as to that conversation that he had with Mr. Havemeyer, and his impressions gained of Mr. Havemeyer?

Mr. SPRECKELS. No; there was nothing specially said beyond that. Our interview was very short at that time.

Mr. GARRETT. I believe that is all, Mr. Chairman.

Mr. MADISON. I just want to ask a few questions, Mr. Spreckels. To my mind, one of the most important questions for us to determine in connection with yourself and your relations to these different companies and their relations with each other is the question of actual

competition between you. We can understand how the tariff might have some effect on the price; that you have got to add the tariff—we will assume that for the purpose of the argument—to the price of raw sugar, not the full 1.685, but the 1.348, the Cuban rate; but nevertheless, when you arrive at a price, there may be a serious question as to whether or not there is actual competition between you and the other companies that are engaged in the refining of sugar and the selling of sugar to the American people.

Is there any active, actual, potential competition between you and the American Sugar Refining Co. and between you and the Arbuckles?

Mr. SPRECKELS. There is. I think they will all verify that.

Mr. MADISON. To what extent and degree is that competition?

Mr. SPRECKELS. To this extent, that the Federal Sugar Refining Co. produces all the sugar it possibly can and markets its product every day at a price that it will bring, and if it does not bring the price the price is immediately lowered, which frequently happens. We get the price, but we move our product every day. Our mill has to run day and night, and we never stop. That is the competition that we have.

Mr. MADISON. Judge Gary stated to the steel investigating committee that the smaller concern could in fact fix the price, to a very large degree, because they could fix a price which the larger concerns would have to meet; so that as a matter of fact it did not follow that the large concerns could absolutely fix and dominate the price. Do you agree with that conclusion?

Mr. SPRECKELS. I agree that they fix the lower price; but not the higher price. We can always get a lower price, and when we fix that price they have to meet it; but we can not charge a greater price, because they can supply the deficiency.

Mr. MADISON. Judge Gary, as I understand, referred to the minimum and not the maximum price.

Mr. SPRECKELS. It is the minimum price we can fix.

Mr. MADISON. That is exactly what he referred to, and that is a price in which we are all interested.

Mr. SPRECKELS. But they practically dictate the price. They dictate the maximum price.

Mr. MADISON. In other words, their influence is to hold the price as high as possible?

Mr. SPRECKELS. And the umbrella.

Mr. MADISON. And your position is one of moving your product and thus fixing a price that will cause your product to move and enable you to sell your product?

Mr. SPRECKELS. That is the idea.

Mr. MADISON. How do you fix that price? Do you find out what the price has been upon the market which you consider to be the price that the American Sugar Refining Co. has fixed, assuming that it is holding the price up and holding the umbrella; and then do you fix it just enough lower in order to move your product?

Mr. SPRECKELS. As low or a little bit lower; sometimes lower, or as low.

Mr. MADISON. As a business man——

Mr. SPRECKELS (interposing). In other words, if I may explain, their price being 5 cents, and we having a little accumulation—maybe 10,000 barrels—and knowing the price, we immediately put it down to 4.95 in order to move it.

Mr. MADISON. But just to the point at which you can move it?

Mr. SPRECKELS. We aim to get as much for it as they do. If their price is 5 cents, we aim to sell all we can at the same price.

Mr. MADISON. In other words, you prefer to and do just as much as you can to follow their price?

Mr. SPRECKELS. We do.

Mr. MADISON. So that as a matter of fact they do fix the price as a general rule, because following the natural dictates of a business man, if you can sell your product at the same price they are selling theirs, you will do it?

Mr. SPRECKELS. We do it.

Mr. MADISON. Would you kindly illuminate my mind to the extent as to how that comes to be active, positive, and potential competition?

Mr. SPRECKELS. Because it very frequently happens we have an accumulation and can not sell sufficient at their price. Then we cut it.

Mr. MADISON. But you stated to me—and I only want the fact—that in a majority of instances—and I am a consumer, and I weigh 240 pounds——

Mr. SPRECKELS (interposing). That is too much.

Mr. MADISON. Yes; it is too much; but I have been eating too much sugar, and that is what is the matter with me in the matter of flesh. I am interested in the price to the consumer, for I am one of the largest consumers individually that there is in this country. [Laughter.]

You just stated to me that in a great majority of instances you were able to move your sugar at the same price they moved theirs.

Mr. SPRECKELS. That is true.

Mr. MADISON. And that you only sell below them when you have to?

Mr. SPRECKELS. Only when we have to.

Mr. MADISON. And then just as little below them as you possibly can?

Mr. SPRECKELS. That is quite true; in other words, we get all the traffic will bear, or all the traffic we can get out of it.

Mr. MADISON. I have been sitting here listening and trying to discriminate between your practice and theirs. I notice they started out with a large amount of bonus stock, and also that you did.

Mr. SPRECKELS. We issued a great deal of our bonus stock, you know, really for property—I mean our common stock. While there was actually $3,500,000 paid in, I will say we bought the property and put it in and took common stock for it. I took common stock for the property originally put in. When I say $6,500,000 of common stock, it is not all water, because it really represents cash.

Mr. MADISON. That is interesting, because I had evidently a misconception—if I now understand you. Am I now to understand that you sold $3,500,000 of preferred stock for cash?

Mr. SPRECKELS. Yes, sir; and also some common stock for cash.

Mr. MADISON. How much?

Mr. SPRECKELS. $500,000—perhaps $500,000.

Mr. MADISON. You had $4,000,000 in cash?
Mr. SPRECKELS. Yes.
Mr. MADISON. Then you had $6,000,000 of——
Mr. SPRECKELS. Of water, as you call it.
Mr. MADISON. And back of that was not any actual value?
Mr. SPRECKELS. That is right.
Mr. MADISON. So that in that respect you emulated again the example of the trust?
Mr. SPRECKELS. That is what we did.
Mr. MADISON. If some of my friends whom I know and who are interested in the other side of the question, judging from their expression, had been in the sugar business at that time, they would have been content——
Mr. SPRECKELS (interposing). I do not think they would have been in Congress now.
Mr. MADISON. Possibly not. Very few persons in the sugar business ever get into Congress.
Mr. SPRECKELS. The sugar business is more profitable.
Mr. MADISON. I think so, although there—well, I will not make that remark. Some of the trouble with regard to sugar, to which you have referred, has not been entirely confined to this arena, but we have had intimations that even reach the capital of the country.
Some people, perhaps, might have been content with earning a dividend and fair profits upon the money actually invested, $4,000,000. You got cash for that $500,000 of common stock you sold?
Mr. SPRECKELS. We put in cash.
Mr. MADISON. You actually put in the cash?
Mr. SPRECKELS. Yes; and took common stock for it.
Mr. MADISON. In the first instance, you and Mr. Mackay were the company, and you went down into your pockets and put $4,000,000 of cash into the business?
Mr. SPRECKELS. Yes.
Mr. MADISON. And you paid your operating expenses?
Mr. SPRECKELS. Yes.
Mr. MADISON. Then you paid dividends upon $3,500,000?
Mr. SPRECKELS. Yes.
Mr. MADISON. Or did you pay it on the $4,000,000?
Mr. SPRECKELS. On the $3,500,000.
Mr. MADISON. Then, in addition to that, you earned profits enough so you could put it back in the business for working capital, until to-day, with a total capitalization of $10,000,000, how much in property and in actual value have you got back of that $10,000,000 of stock, at a fair valuation, treating it as a going concern?
Mr. SPRECKELS. Treating it as a going concern?
Mr. MADISON. Yes; but not capitalizing brains, because I can not follow Mr. Parsons on that.
Mr. SPRECKELS. I am not laying claims to any.
Mr. MADISON. I am willing to concede it in your case.
Mr. SPRECKELS. Thank you.
Mr. MADISON. But you can not capitalize that; you may pass away.
Mr. SPRECKELS. That is right; I may pass away, but the company will go on just the same, because it is now organized.

Mr. MADISON. Yes; but there will be a different man at the head of it, and he might not be as successful as you have been; so I say it is not fair to capitalize talent.

Treating it as a going concern and putting a decent, fair valuation upon it, and taking into consideration what a man who wanted to go in the sugar business would be willing to pay for the business as a going concern, what would you say the property was worth to-day?

Mr. SPRECKELS. I would say if you tendered me a check for $10,000,000 for the Federal you could not get it—if that will answer your question.

Mr. MADISON. Fairly so. Taking into consideration the actual value of the property, how much would you say your property was worth?

Mr. SPRECKELS. I say it is worth it.

Mr. MADISON. It is?

Mr. SPRECKELS. Yes.

Mr. MADISON. The actual physical property?

Mr. SPRECKELS. The actual physical property as a going concern. In other words, Mr. Jones might come in and operate it and take my place.

Mr. MADISON. Approaching it from another angle, how much money have you actually put into the business from the earnings of the business, which money is there now either in cash, in business, or in improvements?

Mr. SPRECKELS. Roughly speaking, I should say $3,500,000.

Mr. MADISON. So you have paid 6 per cent on $3,500,000, your operating expenses, and put back into the business from its earnings $3,500,000 more?

Mr. SPRECKELS. In other words, 100 per cent in the 10 years of operation.

Mr. MADISON. Mr. Hardwick has suggested the time has come to adjourn, and I acquiesce in that. That is a perfectly proper suggestion for him to make. I am only sorry I shall not be able to go on with the matter further with you at this time.

Mr. SPRECKELS. And I am sorry too, Judge.

The CHAIRMAN. Gentlemen, we will resume our hearing on Monday morning at 10 o'clock, with Mr. Spreckels on the witness stand.

(Thereupon, at 4.45 o'clock p. m., the committee adjourned until Monday, July 24, 1911, at 10 o'clock a. m.)

No. 28

HEARINGS

HELD BEFORE THE

SPECIAL COMMITTEE ON THE INVESTIGATION OF THE AMERICAN SUGAR REFINING CO. AND OTHERS

MONDAY, JULY 24, 1911

HOUSE OF REPRESENTATIVES

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

SPECIAL COMMITTEE ON THE INVESTIGATION OF THE AMERICAN SUGAR REFINING CO.

HOUSE OF REPRESENTATIVES.

THOMAS W. HARDWICK, *Chairman.*

FINIS J. GARRETT.	GEORGE R. MALBY.
WILLIAM SULZER.	J. W. FORDNEY.
JOHN E. RAKER.	E. H. MADISON.
H. M. JACOWAY, JR.	A. C. HINDS.

AMERICAN SUGAR REFINING CO.

SPECIAL COMMITTEE ON THE INVESTIGATION OF THE AMERICAN SUGAR REFINING CO. AND OTHERS,
July 24, 1911.

The subcommittee appointed to take the testimony of Mr. John Arbuckle this day met at New Paltz, N. Y.

There were present Messrs. Garrett and Madison.

TESTIMONY OF MR. JOHN ARBUCKLE.

The witness was duly sworn by Mr. Garrett.

Mr. GARRETT. Will you state your full name?

Mr. ARBUCKLE. John Arbuckle.

Mr. GARRETT. And your age?

Mr. ARBUCKLE. Seventy-two past.

Mr. GARRETT. And your residence?

Mr. ARBUCKLE. Brooklyn, N. Y.

Mr. GARRETT. In what business are you engaged?

Mr. ARBUCKLE. The coffee and sugar business, and in Pittsburg the wholesale grocery business; refining sugar and roasting coffee, and in Pittsburg, Pa., which was our parent house, the wholesale grocery business. That is what we started in.

Mr. GARRETT. How long have you been in the coffee business?

Mr. ARBUCKLE. Well, of course, we have always been in the coffee business, because it is connected with the grocery business, and in the roasting business, I suppose, 40 years.

Mr. GARRETT. How long have you been in the sugar-refining business?

Mr. ARBUCKLE. We commenced to build our sugar refinery in 1897, I think it was, and, of course, it took us about a year and a half—over a year and a half—to build our refinery.

Mr. GARRETT. What was the occasion of your entering the sugar-refining business?

Mr. ARBUCKLE. Well, there was some little difference between us. We in our business have what we call packing machines; we pack the coffee in round packages; and then our Mr. Smyser says, "I think I can adapt this coffee packing to packing sugar." So he did. And then we commenced packing sugar in packages, and we would buy our refined sugar from different refiners. And there was some little hitch, I do not remember, some friction about it.

Mr. GARRETT. You mean friction in your own firm?

Mr. ARBUCKLE. No; in buying. You know, of course, this was going on while we were building the sugar refinery, you know. You

see, it took us over a year and a half to build our refinery, and there was some friction.

Mr. GARRETT. Let me get it clearly in my mind. Before you conceived the idea, or determined upon the exploit of entering the sugar-refining business, was there some friction between you?

Mr. ARBUCKLE. No, no; there was no occasion for it.

Mr. GARRETT. Now, just a moment. Is this a firm or corporation?

Mr. ARBUCKLE. A firm.

Mr. GARRETT. A partnership?

Mr. ARBUCKLE. Arbuckle Bros. here and Arbuckles & Co. in Pittsburg.

Mr. GARRETT. And practically the same firm?

Mr. ARBUCKLE. Yes; the interests are the same.

Mr. GARRETT. And the sugar refinery is run by the firm of——

Mr. ARBUCKLE (interposing). Arbuckle Bros.

Mr. GARRETT. Who are the partners in that firm?

Mr. ARBUCKLE. My nephew, Mr. Jamison, and myself—William A. Jamison.

Mr. GARRETT. You are the only partners?

Mr. ARBUCKLE. At present. There were two other partners, but they withdrew several years ago.

Mr. GARRETT. And their interests were acquired by you and your nephew?

Mr. ARBUCKLE. Yes; we bought them out.

Mr. GARRETT. As I understand it, a brother of yours was once a member of the firm?

Mr. ARBUCKLE. Yes; he died in 1891.

Mr. GARRETT. And your nephew succeeded to his interest?

Mr. ARBUCKLE. Well, he came into the concern, yes, later on.

Mr. GARRETT. Now, then, I asked you a moment ago why it was you determined to embark in the sugar-refining business.

Mr. ARBUCKLE. Well, we thought it was a very profitable business. We had made a great success of coffee in packages, and we thought we could make a great success of sugar in packages.

Mr. GARRETT. Now, if I understand you, you were engaged in packing coffee in packages and also took up the matter of packing sugar?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. And this sugar you would purchase from different refiners?

Mr. ARBUCKLE. Yes; from the American and from Mollenhauer, and maybe some of the others; I do not remember.

Mr. GARRETT. From whom did you purchase your principal supply?

Mr. ARBUCKLE. Well, now, I can not tell you that. Allow me to explain. When we spoke about going into the refining business, there were four partners at that time—Mr. Smith, Mr. Jarvie, Mr. Jamison, and myself, and I remember we had a meeting in the private office. I said, "Now, gentlemen, of course, Mr. Smith and I are too old to learn the sugar business, but if these young men want to go into it, why I won't object." So I said to Mr. Smith, "Let you and I withdraw and let them decide whether they will go into it or not, but remember they must do the work; we are too old to learn

the business." I mean I did not go into the details. You see, I was, say 60 years of age at the time.

Mr. GARRETT. Well, now, when did you first make public, as near as you can remember, your intention to embark in the sugar-refining business?

Mr. ARBUCKLE. Oh, we did not make any announcement, but everybody knew it in the sugar business, you know. Well, that would be 1897.

Mr. GARRETT. You say some friction arose shortly following that?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. Between you and some firms?

Mr. ARBUCKLE. Well, there was friction, but I did not attend to that part of the business; I did not attend to the buying.

Mr. GARRETT. Was that friction between your firm and firms from whom you had been purchasing refined sugar?

Mr. ARBUCKLE. Well, largely from the American.

Mr. GARRETT. What was the nature of that friction?

Mr. ARBUCKLE. Oh, well, if I remember right, I think we stopped buying from them and bought from Mollenhauer; they were an independent concern.

Mr. GARRETT. Did they refuse to sell to you—did the American Sugar Refining Co. refuse to sell to you?

Mr. ARBUCKLE. Well, I am not positive about that. As I said, I did not attend to that part of the business at all; that was attended to by Mr. Jarvie at that time; but there was friction.

Mr. GARRETT. You do remember that there was friction?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. And you do remember that the American Sugar Refining Co. was aggrieved about your going into the refining business?

Mr. ARBUCKLE. Well——

Mr. GARRETT (interposing). And manifested that feeling?

Mr. ARBUCKLE. I am not certain, but I think they refused to sell to us.

Mr. GARRETT. You think they refused to sell to you?

Mr. ARBUCKLE. Yes; but there were other people that we could buy from; there was Mollenhauer and other people.

Mr. GARRETT. Did you ever have any conversation with any representative of the American Co. personally in which he refused to sell to you, and stated they would not?

Mr. ARBUCKLE. No; I do not think I did. I think Mr. Jarvie had; he was the active one in the sugar business.

Mr. GARRETT. Did you ever hear Mr. Jarvie speak of such a conversation?

Mr. ARBUCKLE. Well, I do not remember the details of it.

Mr. GARRETT. If you will, Mr. Arbuckle, give it in a general way.

Mr. ARBUCKLE. Well, there was friction, you know, and I do not know positively whether they actually came out and refused to sell, but it was not pleasant, you know, it was not pleasant, but we could buy the sugar from the other refineries just as well.

Mr. GARRETT. Was there any trouble about the price?

Mr. ARBUCKLE. No; we always had to pay the market price, you know.

Mr. GARRETT. Did you have any arrangement with the American Sugar Refining Co. whereby they allowed you a certain rebate on the barrels—that is, I mean, pay you so much when you returned the empty barrels?

Mr. ARBUCKLE. If my recollection is correct, we bought in bags, you know, because, of course, the sugar was more easily handled. The bags may have gone back empty, and we may have bought some in barrels, but I do not know. You see, I did not attend to that part at all.

Mr. GARRETT. Did they ever pay you anything for the bags when you would send them back?

Mr. ARBUCKLE. Oh, no; but if there was any loss we would have to pay for them.

Mr. GARRETT. I will tell you what I have in mind. In some testimony given at an inquiry many years ago there was some statement, I think by the late Mr. Havemeyer, to the effect that his recollection was that they had been allowing you so much for the return of the empty barrels, and that some other firm, perhaps Mollenhauer & Co., offered to allow you a larger return on the barrels.

Mr. ARBUCKLE. I do not think we bought in barrels, although I am not positive. Bags were so much handier, and I think we always bought in bags.

Mr. GARRETT. Perhaps that is not very material. Now, the American Sugar Refining Co. went into the coffee business, did it not?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. How long was that after it became known——

Mr. ARBUCKLE (interposing). I think shortly after it became generally known we were building a sugar refinery we were surprised one morning to hear that the Woolson Spice Co. had reduced their price, I think a cent a pound, if I remember right; and we did not see any reason, because green coffee was not any lower; and we were very much surprised. Later in the day we heard that they had bought the controlling interest in the Woolson Spice Co. Then we knew it was war.

Mr. GARRETT. That the American Sugar Refining Co. had bought it?

Mr. ARBUCKLE. A controlling interest in the Woolson Spice Co., of Toledo, Ohio.

Mr. GARRETT. Now, what form did that war take, Mr. Arbuckle?

Mr. ARBUCKLE. Well, of course, they reduced the price and we reduced our price, and so forth, and so on. It was a fight, a very bitter fight.

Mr. GARRETT. How much of a reduction was made in coffee?

Mr. ARBUCKLE. I do not know, but several cents a pound. I think, if I remember right, that after that the price of green went down—and, of course, that enabled us to manufacture and roast very much cheaper—I think it was several cents a pound.

Mr. GARRETT. They had the same advantage in that respect that you had, had they not?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. In what territory did they fight you in the coffee business?

Mr. ARBUCKLE. Oh, every place; anybody could buy their coffee at any place in the United States.

Mr. GARRETT. You marketed your coffee all over the United States?

Mr. ARBUCKLE. Yes; of course; every place.

Mr. GARRETT. Do you now market your coffee in practically all the markets of the United States? Do you go to the Pacific coast?

Mr. ARBUCKLE. I think we have some trade, although we never had a large trade there; you see, the freight was so onerous.

Mr. GARRETT. About how far west can you go profitably?

Mr. ARBUCKLE. Why, we went to——

Mr. GARRETT (interposing). I mean, how far west can you go with reasonable profit?

Mr. ARBUCKLE. Well, Salt Lake City and around through that region.

Mr. GARRETT. Do you know whether you do the principal coffee business in that section or not?

Mr. ARBUCKLE. I suppose we do.

Mr. GARRETT. How was the production by the American Sugar Refining Co. as compared with the production by your firm?

Mr. ARBUCKLE. You mean then?

Mr. GARRETT. Yes.

Mr. ARBUCKLE. I do not know how much it was, really. Of course, they did not tell us anything and we did not tell them anything, you know. It was a bitter fight. It was not nearly as large as ours.

Mr. GARRETT. Their coffee capacity was not quite as large as yours?

Mr. ARBUCKLE. No. I do not know really what it was; it was large, but not nearly as large as ours, you know.

Mr. GARRETT. Well, now, do you know anything about the character of the coffee that they put on the market?

Mr. ARBUCKLE. Well, they put on a very fair grade of coffee.

Mr. GARRETT. Was it equal to yours?

Mr. ARBUCKLE. No; I do not think it was quite, but it was a fair grade of coffee. I know that in this testimony it says it was a low grade, but I do not think that is quite correct.

Mr. GARRETT. You do not think that is quite correct?

Mr. ARBUCKLE. No; it may have been a little lower grade.

Mr. GARRETT. That statement was made, I believe, by Mr. Jamison, that it was a lower grade?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. And he suspicioned——

Mr. ARBUCKLE (interposing). If it was 10 points we would call it a lower grade, you know.

Mr. GARRETT. Well, the idea I gathered from his testimony—I do not now remember just the exact language—was that the American Sugar Refining Co. particularly ran down the package product because you had built up a great trade in package coffee.

Mr. ARBUCKLE. Their trade was principally package, too.

Mr. GARRETT. His idea was that the American Sugar Refining Co. ran the package product down in order to prejudice the public against all package coffee.

Mr. ARBUCKLE. Well, it did not have that effect, you know.

Mr. GARRETT. I would like to know what you know about that. You paid particular attention to the coffee business, did you not?

Mr. ARBUCKLE. I suppose it was natural, as we were losing money, that we might lower our grade a little, and, of course, I think it is very natural that we would do so.

Mr. GARRETT. You think you lowered your grade?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. And they lowered their grade also?

Mr. ARBUCKLE. I think they lowered theirs also. It is a good many years ago and I do not remember the exact details, you know.

Mr. GARRETT. Well, now, they had gotten their coffee business into operation before you completed your refinery?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. As soon as you got your refinery built what course did you take in regard to sugar?

Mr. ARBUCKLE. Well, they reduced their price, and, of course, we could not get a penny more for our sugar than they could, you know.

Mr. GARRETT. I do not know whether you understand my question.

Mr. ARBUCKLE. You mean, who first reduced the price of sugar? They did.

Mr. GARRETT. By the time your refinery was completed they proceeded to reduce the price of sugar?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. Now, what other refineries were independent of the American Sugar Refining Co. at that time?

Mr. ARBUCKLE. Well, I do not think the National was formed at that time. I think there was the Yonkers, and I think Mollenhauer was independent, and the New York; that was the Dorscher refinery. In talking many years ago we would say the Post refinery, the Havemeyer refinery, or the Dorscher refinery.

Mr. GARRETT. You mean by the Yonkers refinery the Post refinery at Yonkers?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. Which is now part of the National?

Mr. ARBUCKLE. Yes. The Yonkers, and the New York or Dorscher refinery, as I talked about it, and Mollenhauer.

Mr. GARRETT. Those three are now in the National?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. Before that time they were independent?

Mr. ARBUCKLE. I think so. I think the National was formed afterwards.

Mr. GARRETT. What did they do while this war was on between you?

Mr. ARBUCKLE. They would have to do just the same thing. What I mean to say is, that granulated sugar is granulated sugar, and you can not get for it nor can a refinery get more for it than the other fellow, you know.

Mr. GARRETT. Well, let us see about that; we will see about that in a few moments. I want to ask you, though, particularly with reference to this contest between you and the American Sugar Refining Co., and how long it continued.

Mr. ARBUCKLE. A good long time.

Mr. GARRETT. You began in about 1899 to make sugar?

Mr. ARBUCKLE. I think it was in August, 1898, and then it continued to 1899; and if I remember right, and I think I am correct, in 1890 I think they put up the price. We did not know anything about it, but we just heard that the American Sugar Refining Co.——

Mr. DYKMAN (interposing). 1900, you mean?

Mr. ARBUCKLE. Yes; 1900. In 1900, I think, one morning we heard that the American Sugar Refining Co. had put up their price. Of course, we all naturally followed that; we wanted to get a good price on our sugar; but as to its being talked about, or any knowledge between us, that is not true.

Mr. GARRETT. Were there any conferences between you?

Mr. ARBUCKLE. No.

Mr. GARRETT. Did you never see Mr. Havemeyer?

Mr. ARBUCKLE. Oh, yes.

Mr. GARRETT. I mean as to the cessation of these hostilities?

Mr. ARBUCKLE. I think it was in 1897 that Mr. Havemeyer sent word he wanted to see me, and that he would come to my house, and I sent word, no; that he was well known in Brooklyn, and people would talk about it, and that I was not well known up in New York, and I would go to his house. So I went; and Mr. Havemeyer was a very plain-spoken gentleman, and he said "I want to buy 51 per cent of your refinery." I said, "Mr. Havemeyer, as long as I live and have my senses, you will never own a dollar's worth of it," and says I, "But this world is big enough for all of us." That was a favorite expression I had. I said, "We are not refining a great deal of sugar; the increase of population over here will consume as much sugar as we are making." He says, "Well, I have got 11,000 stockholders to take care of, and I have got to take care of them." I said, "Well, you could take care of them a good deal better by treating others in a more kindly way." So nothing came of that, you know; of course, I left and nothing came of that, and so the war went on.

Mr. GARRETT. Now, you say you think that was in 1897?

Mr. ARBUCKLE. I think it was in 1897; about 1897 or 1898, somewhere along there.

Mr. GARRETT. Well, it was after your refinery was in operation, was it not?

Mr. ARBUCKLE. No; I think it was before; I have no data, but I think that was before.

Mr. GARRETT. About how much did you invest in the refinery, Mr. Arbuckle?

Mr. ARBUCKLE. I am a very poor hand at remembering figures, and I do not want to remember them, I do not; for years and years I have not wanted to remember figures; I do not want to burden my mind with all these things. The books are there, and I could go to them at any time; but I do not remember exactly about that.

Mr. GARRETT. Could you give us a general idea of what it cost?

Mr. ARBUCKLE. I would not like to put myself down in figures, because I can give it to you later on; I do not like to.

Mr. GARRETT. Well, now, give us your estimate of it. We do not propose to hold you to a strict account. Have you an estimate that you could give us?

Mr. ARBUCKLE. I would suppose a couple of million dollars. Now, I am not certain about that, you know.

Mr. GARRETT. Would that include just the plant?

Mr. ARBUCKLE. That would include the land and plant and machinery.

Mr. GARRETT. You already had a lighterage system at that time, did you not?

Mr. ARBUCKLE. No; I believe that came on in later years. Do you remember what time it came on, Mr. Dykman?

Mr. DYKMAN. It started in 1903 in a small way, and the Jay Street Terminal started in 1905.

Mr. GARRETT. Well, did Mr. Havemeyer make you an offer for 51 per cent of the stock?

Mr. ARBUCKLE. He said he wanted to buy 51 per cent.

Mr. GARRETT. He did not say what he would give for it?

Mr. ARBUCKLE. I would not entertain it; I just shut him right off there.

Mr. GARRETT. Did he get far enough——

Mr. ARBUCKLE (interposing). No; I would not entertain it; I would not entertain anything; I just came right out flat-handed and said, "Mr. Havemeyer, as long as I live and I have my senses, you will never own a dollar's worth of that stock." I would not allow him to make me an offer.

Mr. GARRETT. Well, now, you said that after the conference between yourself and Mr. Havemeyer in 1897 or 1898, and failing to come to any agreement as to the sale of the property, and after your suggestion to him that he could take care of his stockholders by treating the business public kindly, or more kindly, the war still went on?

Mr. ARBUCKLE. Oh, yes.

Mr. GARRETT. How long?

Mr. ARBUCKLE. I do not know. It would break out every once and a while. For instance, they would try to shut us out of the trade by making some rebates, and all those things, and then we would have to cut the price, and then after a while it would let up again, you know, for a while, and then he would put up his price and then things would go along. There never was an end to it, gentlemen, there never was an end to it, really. We are always standing ready, of course. Of course we had to defend our trade or lose and give up the business.

Mr. GARRETT. Did you ever have any other talk with Mr. Havemeyer after that time?

Mr. ARBUCKLE. Yes; I have had several talks with him.

Mr. GARRETT. I was interested in what you said a few moments ago to the effect that when he sent word to you that he wanted to see you and would come over to Brooklyn, you replied, in substance, that as he was well known in Brooklyn and you were not so well known in New York you would go over to see him, that his visit to you in Brooklyn would occasion comment. Now, just why was there any objection to the public knowing about that?

Mr. ARBUCKLE. Well, I got sick and tired; every action we took came out in the papers, you know, and you get sick and tired of it. I do not think I treated these reporters very well in those days; it was not my nature to do so. I remember when the Lexow commission was on my young partner came and says, "Do not have a word to say to the reporters." And they would come to me, and I said, "I have nothing to say." And they would go for me and caricature me and all of those things. But I was all wrong. In later years I have found that if you treat them nicely they are the best of friends.

Mr. GARRETT. We will agree to that, I am sure.

Mr. ARBUCKLE. And I got a little tired, you know.

Mr. GARRETT. But I do not exactly see what objection you had to his coming over to see you. You did not intend to sell to Mr. Havemeyer?

Mr. ARBUCKLE. No.

Mr. GARRETT. In the message that was communicated to you, stating that he desired to have a conference with you, was there any intimation given of what the purpose of that conference was to be, in his mind, or was it a general statement that he wanted to see you and talk over business matters?

Mr. ARBUCKLE. Of course, I jumped at conclusions; I supposed that was what he wanted to see me about.

Mr. GARRETT. You inferred he wanted to see you to discuss business matters?

Mr. ARBUCKLE. I knew he had bought all of these other refineries.

Mr. GARRETT. And you thought at once he wanted to purchase your refinery?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. Now, what did he say in that conversation about the coffee business? He was in the coffee business then, was he not?

Mr. ARBUCKLE. I do not think it was mentioned.

Mr. GARRETT. What did he say?

Mr. ARBUCKLE. I have no recollection of his saying a word about coffee.

Mr. GARRETT. Did he say that if you would sell him a controlling interest in your refinery he would go out of the coffee business—take the American Sugar Refining Co. out of the coffee business?

Mr. ARBUCKLE. No. Mr. Havemeyer was a very careful man. He never, at any time that I saw him, said anything or did anything that would compromise him in the way of this Sherman Act. In all the talks with Mr. Havemeyer there was nothing that approached it; he was very careful. I do not think coffee was mentioned.

Mr. GARRETT. You spoke about other conferences that you had with him subsequent to this time. Do you remember about when you had the next conference with him?

Mr. ARBUCKLE. I remember very distinctly about one conference. I might say here that the refined sugar business was the worst managed business in the world, and to explain this to you, if I may: While I did not attend to the general sugar business, I would go in there and I would say to the manager, Mr. Stillman, "Is everything going all right?" "Yes," he would say, "but we are being robbed by this polarization." And then I would say to the sugar buyer, "Why do you not go to work and change it; if you go right about a thing you can change it." He says, "You can not change it; it has been going on for all of these years, but we are being robbed right along of millions of dollars"—that is, the whole trade. I said, "I do not believe a word of it; I say anything that is not right can be changed." And so I went to work and got up a program for a trade laboratory, that is, for polarizing sugar, you know; that is the way we buy it. Well, all the people I talked with said, "You can not do anything; Havemeyer will not do anything." I said "I do not believe a word of it; I will go to see Mr. Havemeyer." So I took this paper up and said, "Mr. Havemeyer, read this." He had a very brusque way of saying "That is not right," and he said it at this

time. I said, "What is not right?" "Well," he says, "the chemist must have nothing to do with any other business—the chemist at the head of the laboratory." I said, "Cross that out; put that in as you want it." Then he went over it at great length; he could be very pleasant. This was at his own house. He said, "We have been robbed for years and years, and I never knew how to change it." I said, "Well, we can stop this thing." So we got a trade laboratory started, and it has had very great success. Of course, I was the mover in the matter. I used to see all of the refiners about it, and got their support, and now it is a great success."

Mr. GARRETT. Were there any other conferences between you at which he offered to purchase your refinery or any part of it?

Mr. ARBUCKLE. No; I do not think he ever mentioned it after that. I saw him several times while this polarization matter was up, because that was only one of the things; there were so many things wrong. There never was a business under the heavens that was so badly managed as the refined sugar business.

Mr. GARRETT. Mr. Arbuckle, was that prior to the days of the closing of the war between you?

Mr. ARBUCKLE. Well, I do not claim that the war ever closed; we never had any agreement. The public says the war closed, and all that, but——

Mr. GARRETT (interposing). Well, cutthroat competition closed, did it not?

Mr. ARBUCKLE. We did not know what minute it would break out, because there were so many things wrong——

Mr. GARRETT. Well, let me ask you——

Mr. ARBUCKLE (interposing). Excuse me right here. There were so many things wrong in the way the sugar business was managed that sometimes we had to go on the aggressive and cut things wide open, and try to get things right.

Mr. GARRETT. What were some of the things that made that necessary?

Mr. ARBUCKLE. Well, for instance, there was one thing that was very wrong, and I worked at it and worked at it, and eventually it has been corrected.

Mr. GARRETT. What was that?

Mr. ARBUCKLE. Suppose you are a wholesale grocer, and you want to buy 100 barrels of sugar, and that would be about right for your trade. You would come in here and they would sell you 10,000 barrels of sugar and the price is guaranteed. If the price went up, why you got the sugar, and if the price went down the refinery had to cut down the price. It was the most unrighteous business that ever was done, and we were fighting it continually. Here would be a little man that would get 10,000 barrels of sugar, and if the price went up he would demoralize the trade, and if the price went down he would demoralize it; and grocers with that much sugar would make a loss on it, and all those things.

Mr. GARRETT. In order to get your idea clearly in my mind I will ask you this: A wholesale grocer would come into a refinery and perhaps he would not need more than 100 barrels of sugar and he would be offered a certain price, which was, in any event, guaranteed, and if it went down he would get it still cheaper?

Mr. ARBUCKLE. Yes; whatever it went down.

Mr. GARRETT. He would buy, say, 10,000 barrels, and then if the sugar went up the refinery would sell to him at the price that had been fixed?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. And then he would go on the market with that sugar in competition with the refineries?

Mr. ARBUCKLE. Yes; and demoralize the trade.

Mr. GARRETT. And you say you broke that up?

Mr. ARBUCKLE. That is virtually broken up; now, if a man buys a thousand barrels of sugar he has got to take it, and if it goes up he makes his profit, but if it goes down the refiner does not guarantee the price.

Mr. GARRETT. In other words, you do not now sell to the jobber at a guaranteed price?

Mr. ARBUCKLE. No; that is a thing of the past; but we fought that for years and years.

Mr. GARRETT. That was brought about by an agreement among all the refiners?

Mr. ARBUCKLE. No; there was no agreement.

Mr. GARRETT. Well, an understanding.

Mr. ARBUCKLE. Let me illustrate it. Mr. Havemeyer was trying to corral the trade; he was trying to get every wholesale grocer in the country to buy from him, you know, and he would make these unbusinesslike terms, you know, and the others would have to conform to them. If we did not conform to them we could not sell our sugar; we were forced to, but there was no agreement.

Mr. GARRETT. But you finally broke that up?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. That finally ceased?

Mr. ARBUCKLE. That ceased.

Mr. GARRETT. Well, did it cease with all of the refiners?

Mr. ARBUCKLE. Yes; but there was no agreement, you know; it just ceased.

Mr. GARRETT. You took the initiative in that, did you?

Mr. ARBUCKLE. Yes; I fought it for years.

Mr. GARRETT. That was a matter concerning which you and Mr. Havemeyer had conferences, was it?

Mr. ARBUCKLE. Oh, we talked about it a number of times.

Mr. GARRETT. And with all of the other refiners?

Mr. ARBUCKLE. Yes; I talked to them. All I said was, "This is the worst managed business in the world; it is a shame."

Mr. GARRETT. About when did that practice quit?

Mr. ARBUCKLE. It only quit a few months ago.

Mr. GARRETT. It did not quit before Mr. Havemeyer's death?

Mr. ARBUCKLE. No; it still continued. Then there was another bad practice, and that was the consigning of sugar. For instance, suppose here is a little town away out West with just one jobber in it. The refinery would ship him a carload of sugar on consignment and probably it might be months or it might be a year before that sugar could be used, and it was an actual loss, counting interest on the investment, counting the storage and the damage to the cooperage; it was an actual loss. There were 137 points scattered over the United States, and I fought that tooth and nail; it was not good business, you know. Of course, if a man shipped sugar there, why,

of course, it shut all the rest of us out; as long as this sugar was on the spot we could not do anything unless we would go and consign too, and it cost millions and millions of money.

Mr. GARRETT. It would be consigned to him without making an actual purchase?

Mr. ARBUCKLE. Yes; he would not buy it. If the price went up—you will think these sugar men are pretty crooked men, but I am now speaking about grocers—if the price would go up they would gobble up the sugar, but if the price went down the poor refinery would have to stand it.

Mr. GARRETT. Would have to lose?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. Now, was that a pretty general practice?

Mr. ARBUCKLE. Oh, very general, for years and years.

Mr. GARRETT. How long has that ceased?

Mr. ARBUCKLE. Only a few months. Well, it ceased the last of last year, I think it was.

Mr. GARRETT. Do you remember the name of the last refiner with whom you discussed that, and upon whom you urged the breaking up of that practice?

Mr. ARBUCKLE. Oh, I talked to all of them.

Mr. GARRETT. Do you remember the last one and when it was?

Mr. ARBUCKLE. No; I do not.

Mr. GARRETT. Can you fix somewhere near the date when that ceased?

Mr. ARBUCKLE. I think it was about the last of the year, if I remember.

Mr. GARRETT. The last of 1910?

Mr. ARBUCKLE. 1910. So all of these things brought me in contact with all of these refineries for all these years, you know. And then there are a great many other things.

Mr. GARRETT. Well, can you mention something else? Those are two very interesting things.

Mr. ARBUCKLE. There were so many things, you know. For instance, here is a broker out West, and he would go to a grocer in the West—you know a broker gets 10 cents a barrel commission—and he says, "Now, if you will give me your orders, I will give you 5 points." The broker would give him 5 cents. Well, 5 cents appears to be a little thing, but the margin on sugar is so slight that it means a great deal, and as long as that continued we could not sell that man a barrel of sugar.

Mr. GARRETT. That is to say, a broker selling for the American Sugar Refining Co. or some other company would go to a prospective purchaser and offer to divide his fees with him?

Mr. ARBUCKLE. Offer to divide his commissions; yes.

Mr. GARRETT. And then unless your firm would do the same thing——

Mr. ARBUCKLE (interposing). Why, we could not sell the sugar, you see.

Mr. GARRETT. Were the brokers your agents, or were they the agents of the purchasers?

Mr. ARBUCKLE. Well, they were brokers, you know. While the refiner pays the commission, they are really in the interest of the jobber, you know.

Mr. GARRETT. And would the brokers demand anything of the refiner by way of recoupment for this 5 cents which they paid out of their commission?

Mr. ARBUCKLE. Well, there was talk about that, too; that some refiners would make up that 5 cents. I have no positive evidence, but I have reason to believe that it was done.

Mr. GARRETT. What refiners?

Mr. ARBUCKLE. I do not know positively, you know; but I believe it was done.

Mr. GARRETT. How long since a thing of that sort occurred?

Mr. ARBUCKLE. Oh, not many months ago. I have no evidence.

Mr. GARRETT. Where was that?

Mr. ARBUCKLE. The broker would not tell, nor would the grocer tell, you know; but we were morally certain that it was being done, but you could not prove it.

Mr. GARRETT. Do you remember the last instance of that, of any magnitude?

Mr. ARBUCKLE. I do not know, but it may be going on to-day; I do not know.

Mr. GARRETT. Then you do not undertake to say that that practice is broken up?

Mr. ARBUCKLE. No.

Mr. GARRETT. Do you have reference to the New York brokers?

Mr. ARBUCKLE. Any brokers here in New York or out West; at any place.

Mr. GARRETT. Did that occur very often, do you think, with the New York brokers?

Mr. ARBUCKLE. Oh, well, you see, we had no positive proof, but we are morally certain.

Mr. GARRETT. Well, you speak of it as a practice.

Mr. ARBUCKLE. It was a practice.

Mr. GARRETT. That you are morally certain of?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. Now, the New York brokers have, as a matter of fact, an organization under which they are committed not to cut fees?

Mr. ARBUCKLE. Yes; I do not think they did.

Mr. GARRETT. You think it applied to the other brokers?

Mr. ARBUCKLE. I do not think they did, really.

Mr. GARRETT. Well, now, was there anything else that was a matter of some conference between the various refiners?

Mr. ARBUCKLE. Yes; we talked it over.

Mr. GARRETT. What steps did you ever take to prevent it, or what steps did the refiners take to break up that practice?

Mr. ARBUCKLE. Oh, while we did not have any positive proof, we could go to a refiner and say, "We believe you people or somebody is dividing their commissions," and so forth, and so on; "we do not see why you should get all the trade without there is some underhand practice."

Mr. GARRETT. What were the relations between you and Mr. Havemeyer and the feeling between you during the time of this rigid contest that was on, the fiercest part of it?

Mr. ARBUCKLE. Oh, well, sometimes it was peace and sometimes it was war, and sometimes the feelings were awfully bitter, and some

of the refiners would say, "We will go after that fellow and put him out of business and break him up."

Mr. GARRETT. You were satisfied in your own mind, were you not, that the American Sugar Refining Co. bought out this coffee business in Toledo, Ohio, for the purpose of waging war on you?

Mr. ARBUCKLE. They never told me so, but everybody believed it; they never said so, you know.

Mr. GARRETT. The American Sugar Refining Co. at last did go out of the coffee business, did it not?

Mr. ARBUCKLE. They sold out here to Crossman & Sielcken.

Mr. GARRETT. They sold it out some time in 1907, is my recollection; but they had really gone out of the business some two years before that?

Mr. ARBUCKLE. Yes. I do not think really that Mr. Thomas was ever in favor of the coffee business.

Mr. GARRETT. You mean Mr. Washington B. Thomas?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. The present——

Mr. ARBUCKLE (interposing). The present chairman of the board of directors.

Mr. GARRETT. Well, they had gone out of the business, however, before Mr. Havemeyer's death, some two or three years?

Mr. ARBUCKLE. The coffee business?

Mr. GARRETT. Yes.

Mr. ARBUCKLE. No.

Mr. GARRETT. They had not sold their plant?

Mr. ARBUCKLE. Now, I do not know positively, but it is my impression it was only last year that they sold out; I think they still kept at it.

Mr. GARRETT. Well, it was my recollection, although I may be in error——

Mr. DYKMAN (interposing). My recollection of the testimony is that they sold out last year.

Mr. ARBUCKLE. I think so.

Mr. DYKMAN. But for a year or two before that they had not done much?

Mr. ARBUCKLE. I do not think they had done much; no.

Mr. DYKMAN. You see, he has been dead for several years.

Mr. ARBUCKLE. Yes; he has been dead for several years.

Mr. GARRETT. At any rate, they did go out of the business?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. And they are not competitors?

Mr. ARBUCKLE. No.

Mr. GARRETT. In the coffee business?

Mr. ARBUCKLE. No.

Mr. GARRETT. You are still, however, in the refining business?

Mr. ARBUCKLE. Oh, yes.

Mr. GARRETT. What was the melting capacity of your plant?

Mr. ARBUCKLE. I think at the first it was not much more than 1,000,000 pounds a day, and then when we saw it was war, and war to the knife, we went to work and increased our refinery, and now it is between 7,000 and 8,000 barrels of sugar a day—we can run to 8,000 barrels a day. But it is probably not profitable to do that. When you strain a thing you do not get the best results.

Mr. GARRETT. There has been some testimony before the committee, of which Judge Madison and myself are representatives here, that perhaps the most economical refinery is about a 7,500-barrel refinery. I think, perhaps, your manager stated that?

Mr. ARBUCKLE. That would refer only to our refinery. Of course, there might be a refinery that had a capacity of 10,000, and maybe 9,000 would be their economical point; it all depends upon the refinery.

Mr. GARRETT. Do you know how near to the capacity of your plant you have been running in the last three years?

Mr. ARBUCKLE. Oh, I do not; I am such a poor hand to remember figures, and I do not want to remember them.

Mr. GARRETT. Here is what I am very much interested in knowing: Are you making as much sugar now as you were in the days when the war was on?

Mr. ARBUCKLE. We are making a great deal more.

Mr. GARRETT. More than in the days of the war?

Mr. ARBUCKLE. Yes. Well, the days of the war; you do not put that right; you want to fix a time when the war ceased; well, that never ceased; we were always ready to go to fighting in a minute.

Mr. GARRETT. So that I can get it clearly, there was a time, lasting over several years, was there not, when you sold sugar at a loss a very great deal of the time?

Mr. ARBUCKLE. Yes; at times we would sell at a loss. Let me see if I can recollect. We started the refinery in 1898, and there was a loss that year; I think there was a loss the next year, and I think there was a profit the year following, and then there would be a fight started, and we would cut things all to pieces, and sometimes we would not make a penny.

Mr. GARRETT. You think on the third year you made a profit, and then, perhaps, the next year the war was renewed and you lost money again?

Mr. ARBUCKLE. It might be six months that we would not make anything, and another six months we might, in order to correct these things. For instance, Mr. Havemeyer would try to corral the trade, and then we would have to open up and fight, you know, to get our trade back.

Mr. GARRETT. I understand; that is exactly what we are interested in.

Mr. ARBUCKLE. We were ready at any moment to go to fighting and to cut our prices wide open, but I did everything I could to prevent it; it is my nature to make kindly feelings; I never was in favor of trying to drive any refinery to the wall. I said: "Suppose you do? Suppose you do bankrupt others? Then you would put them in the hands of a receiver and there would be worse competition than before." I tried to make kindly feelings and in all my meetings I said, "Gentlemen"—using a favorite expression of mine—"the world is big enough for all of us; but, gentlemen, there can not be any agreement about production or prices or anything." I always had that in mind, and I think Mr.——

Mr. GARRETT (interposing). You did not want any refinery driven to the wall and you had no disposition to drive any refinery to the wall?

Mr. ARBUCKLE. No.

Mr. GARRETT. Neither did you want to be driven to the wall?

Mr. ARBUCKLE. No; and we would not be driven if we could help it.

Mr. GARRETT. You did not think the American Sugar Refining Co. was doing right in making the effort it made to drive you to the wall?

Mr. ARBUCKLE. No. I told them it was not wise and that they could not do it, and so forth.

Mr. GARRETT. Now, you mean, by saying they could not do it, that you felt able to take care of yourselves in that fight?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. Financially able?

Mr. SPRECKELS. Yes; we are financially able.

Mr. GARRETT. And geographically able, and you were well situated?

Mr. ARBUCKLE. We claimed, and I believe the trade claimed, that we had the most economical refinery in the country, and that we could refine sugar as cheap, if not cheaper, than any of them, and we were not afraid of them.

Mr. GARRETT. Did you make a profit out of the sugar business last year?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. The year before?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. That would be 1908?

Mr. ARBUCKLE. I do not think there was much of a profit in 1908. That miserable way of doing business crippled the profits.

Mr. GARRETT. Were any of those methods that you speak of, of trying to corral the trade, and those that were peculiar to Mr. Havemeyer, practiced in 1908?

Mr. ARBUCKLE. He died in 1907, you know.

Mr. GARRETT. You spoke a while ago of Mr. Havemeyer trying to corral the trade and get your trade away from you by certain methods.

Mr. ARBUCKLE. Yes; the giving of rebates and all those things.

Mr. GARRETT. Now, was there anything of that in 1908?

Mr. ARBUCKLE. Well, I suspect some of it is going on to-day, but it is very difficult to prove it. The man that you give the rebate to is not going to tell, and the refinery is not going to tell; sometimes we can think about all these things, but we can not make them tell; so we are powerless. We have our own opinion about it, but we can not prove it.

Mr. GARRETT. Have you reason to suspect that the railroads, or any railroads, are giving rebates to sugar refineries now, or that they have within the last two or three years?

Mr. ARBUCKLE. Oh, I do not think so.

Mr. GARRETT. I understood you to say awhile ago that something of that sort might be going on to-day. Did you not have reference to rebates?

Mr. ARBUCKLE. I did not refer to railroads at all.

Mr. GARRETT. You referred to another sort of rebates?

Mr. ARBUCKLE. I referred to sugars. Our talk is on sugar. I was not touching railroads at all.

Mr. GARRETT. And was not referring to railroad rebates on sugar shipments?

Mr. ARBUCKLE. No.

Mr. GARRETT. However, that is an important part of our inquiry.

Mr. ARBUCKLE. Of course, but I do not think there is anything going on.

Mr. GARRETT. When you spoke of rebates you did not have any reference to railroad rebates?

Mr. ARBUCKLE. No; I did not think of railroad rebates; all of my thoughts have been on this sugar business, and I thought all of your questions referred to sugar.

Mr. GARRETT. Well, they did, and they are so intended. Now, just what character of rebate, then, did you refer to—the payment to brokers?

Mr. ARBUCKLE. For instance, that would be one.

Mr. GARRETT. What else?

Mr. ARBUCKLE. Another might say, "We will give you 5 points or 10 points if you will buy all of your surgar from us." Now, to you gentlemen 5 points appear so small a thing, but a person could take the whole trade of this country by just giving 5 points; the margin, you know, is so small. A grocer does not make any money on sugar; that is. it costs him more to sell it than the profit he gets out of it, and, therefore, he wants to pay as little as possible, and wants to get it at just the very lowest price possible.

Mr. GARRETT. Sugar is a leader?

Mr. ARBUCKLE. Both in the wholesale trade and retail trade. It always has been.

Mr. GARRETT. Well, was there any difficulty, or did you have any difficulty at any time about the purchase of your raw material?

Mr. ARBUCKLE. Oh, no; we bought that in the open market; no trouble about that.

Mr. GARRETT. You never had any difficulty at any time in purchasing the raw material?

Mr. ARBUCKLE. No. Of course you know how it is; a big buyer might go in and he might sweep the market; that is, buy all there was; but you could not help that, that is perfectly legitimate.

Mr. GARRETT. You have been purchasing some of your sugar recently, have you not, from the Louisiana planters?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. And you have purchased that at New York?

Mr. ARBUCKLE. Well, we made the bargain for it; that is, the price is fixed in New York, but we bought it right from the people in New Orleans, the planters.

Mr. GARRETT. Well, did you make your trade offer in advance?

Mr. ARBUCKLE. We might have made it in our New York office or might have made it by telegraph to New Orleans, made an offer to these people.

Mr. GARRETT. It has been stated to the committee, substantially, that the Louisiana sugars which Arbuckle Bros. purchased were required to be sent from Louisiana to New York, and that your agents did not go upon the market in Louisiana and purchase from the tables there, but did agree to purchase at the New York price if it should be shipped to New York.

Mr. ARBUCKLE. You see the New Orleans crop comes in in the latter part of the year, and, of course, the beet sugar comes in about

that time, and then the Cuban crop comes in early in the year, and we expect a declining market at the end of the year, you know.

Mr. GARRETT. Just pardon me a moment.

Mr. ARBUCKLE. And we would rather have the price fixed on the arrival of the sugar in New York than at the time of shipment from New Orleans.

Mr. GARRETT. Do you purchase any of the sugar from Cuba in Cuba, or do you purchase it all in New York?

Mr. ARBUCKLE. Oh, either way; we purchase it for shipment, or purchase it, maybe, in transit.

Mr. GARRETT. Which is the more common practice?

Mr. ARBUCKLE. There is no regular practice. There might be a lot of sugar stored in New York, and we would buy it stored in New York, or there might be sugar on the way in transit to be here in so many days, and we might buy that; there is no rule.

Mr. GARRETT. The American Sugar Refining Co. has a very large plant at New Orleans?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. And it has an agent there who purchases raw sugar?

Mr. ARBUCKLE. Yes; I suppose so.

Mr. GARRETT. An agent who goes on the tables there and purchases it?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. You have no agent who does that?

Mr. ARBUCKLE. Sometimes we would send a buyer down there.

Mr. GARRETT. Have you done that frequently in recent years?

Mr. ARBUCKLE. And he was there to see about the shipment; it is very difficult to get freight room to bring the sugar; of course, it has to come in American bottoms, you know, and it is sometimes difficult to get freight room, and we would send our buyer down there.

Mr. GARRETT. To see about the freight?

Mr. ARBUCKLE. The freight. I do not remember whether he ever bought any sugar in New Orleans or not; I did not give that any attention.

Mr. GARRETT. Mr. Arbuckle, you knew Mr. Havemeyer well?

Mr. ARBUCKLE. Very well. I have known him for 40 years; I knew him when he was a salesman in selling the sugar. I knew him very well; I have known him for 40 years. I knew his peculiarities, and all about him.

Mr. GARRETT. He was a man of aggressive temperament?

Mr. ARBUCKLE. Very, very. And you would go up to his house and you would find a very accomplished gentleman of refined tastes and good company. I remember one morning I had occasion to see him, and a woman let me in. I saw him playing the violin in his library; I says to the woman, "Let me stay back here until Mr. Havemeyer gets through playing." So I listened, and I enjoyed his music very well; he was a very fine performer. And when he stopped playing I went in, and I said, "Mr. Havemeyer, you can not be as bad a man as they think you are, a man who produces such beautiful music as that." And he was lovely in his family; he had his good qualities, and, of course, he had his bad.

Mr. GARRETT. Was that the occasion when you went to see him and he sought to buy the refinery?

Mr. ARBUCKLE. No. Very likely that was when we were trying to stop this stealing, the laboratory matter; I imagine that would be the time.

Mr. GARRETT. You went frequently to his home, did you?

Mr. ARBUCKLE. Not frequently.

Mr. GARRETT. Occasionally?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. To discuss with him various phases of the sugar business?

Mr. ARBUCKLE. You know if I would go into his office every person would say something was up, and then the newspapers would come out and say there was going to be peace and sugar stock will go up, and all that kind of thing.

Mr. GARRETT. Mr. Arbuckle, there did arrive a day, however, when what has been called before our committee cut-throat competition, ruinous, wasteful competition, selling below cost, ceased, did there not?

Mr. ARBUCKLE. Well, it is pretty hard to fix a day.

Mr. GARRETT. Well, then it came——

Mr. ARBUCKLE (interposing). Every once in a while things would get so bad that we would cut prices wide open, not only Mr. Havemeyer, but others. Mr. Havemeyer was not the only one in the sugar business; there were others; they would do all kinds of ugly things, and we would get our temper up, and then cut the thing wide open.

Mr. GARRETT. But the American Sugar Refining Co. led the fixing of the price, did it not?

Mr. ARBUCKLE. Well, sometimes they led and sometimes they did not; I have seen times when we would be away below them.

Mr. GARRETT. What would be the reason for that?

Mr. ARBUCKLE. Well, some refinery would do ugly things, and we would cut the price.

Mr. GARRETT. What sort of ugly things?

Mr. ARBUCKLE. All kinds of rebates, and all those kind of things, you know. Things we could not prove, but still things we believed, you know. You see there is such a competition.

Mr. GARRETT. Did your company ever take the initiative in those rebate matters?

Mr. ARBUCKLE. A great many matters. In the rebates or prices?

Mr. GARRETT. I mean those rebate matters. Did you ever know of persons who bought sugars from you giving five points to their customers?

Mr. ARBUCKLE. As I told you, we could not prove it. Sometimes you know a thing, but you can not prove it. Let me illustrate it. Suppose you have a good man, and he is buying 1,000, 2,000, or 5,000 barrels of sugar from you, and everything is agreeable, and all at once he stops buying from you and he buys from another refinery. You can not prove anything, but you are morally certain there is some nigger in the woodpile.

Mr. GARRETT. I am asking you whether you know of a single instance——

Mr. ARBUCKLE. No; we can not prove those things.

Mr. GARRETT. Just let me finish my question. I am asking you whether you know of a single instance where brokers who purchased

sugar from you had a customer and gave to that customer any reduction in the commissions or any part of the commissions?

Mr. ARBUCKLE. No; I do not know of it.

Mr. GARRETT. You do not know of a single instance of that sort?

Mr. ARBUCKLE. But I have suspected it.

Mr. GARRETT. You have no reason to doubt that has occurred?

Mr. ARBUCKLE. No reason to doubt it. When a young man comes on the Street, you know, and has no trade, he can not break into the trade without offering some inducements, just like a new store starting up, they have got to cut prices, and so forth, and so on.

Mr. GARRETT. Does it not remain true, however, that in almost every instance, and as a general rule—of course, I know there are exceptions—the American Sugar Refining Co. fixed the price of refined sugar?

Mr. ARBUCKLE. Sometimes the price is fixed by them and sometimes it is not; there is no such thing as a fixed price. What I mean to say is, suppose we have got 50,000 tons of sugar on hand, and that would make, say, 300,000 barrels of sugar, and we wanted to get an accumulation in our refinery, and we would put up the price 10 points, but we will let the trade have sugar at the old price. Do you see the point?

Mr. GARRETT. Yes.

Mr. ARBUCKLE. And now that is not fixed; that is only what we are doing; the others do not need to follow, but they generally do.

Mr. GARRETT. And they generally do follow the American Sugar Refining Co.'s prices, do they not?

Mr. ARBUCKLE. No more follow them than they would us. I do not know whether you get it through your heads, but nine-tenths of the sugar is sold on an advancing market; on a declining market no person buys except they have to buy. But, for instance, suppose our price to-day was 5 cents, and we say we are going—say this was on Monday—on Wednesday to make our price 5.10; everybody would jump to get in on sugar at your price, and the others would do the same thing. Do you get the point?

Mr. GARRETT. Yes; I think I understand that.

Mr. ARBUCKLE. But there is no fixed price.

Mr. GARRETT. I understand, of course, that the price fluctuates.

Mr. ARBUCKLE. You might as well go on the Stock Exchange, and one man bids up a certain stock to so and so, and that makes a price, does it not, and the others would naturally follow, would they not?

Mr. GARRETT. Yes; that, in a measure, is true.

Mr. ARBUCKLE. And there is no combination in the stock or anything of the kind.

Mr. GARRETT. But an industry which controls 42 per cent of the production is at least in a very advantageous position to maintain the price.

Mr. ARBUCKLE. Of course, they have got greater power than a person with less. If their price was 5 cents, and the price was put down to 4.90, they would not sell a barrel of sugar; they would have to come to it.

Mr. GARRETT. If the price was 4.90 you would have to follow it?

Mr. ARBUCKLE. Yes; we could not sell our sugar; but there is no agreement.

Mr. GARRETT. And their product being 42 per cent, where yours, perhaps, is only 7 or 8 per cent——

Mr. ARBUCKLE (interposing). Ten per cent, possibly.

Mr. GARRETT. They, as a matter of fact, of course, have the advantage over you in the long run on the matter of maintaining prices, do they not? If you would cut your price 10 points below their price, of course, they would have to come down until you had sold out your stock?

Mr. ARBUCKLE. Sometimes they would not come down, but they would not sell any sugar, you know.

Mr. GARRETT. But when you had sold yours out?

Mr. ARBUCKLE. Well, then, maybe we would put up the price again.

Mr. GARRETT. And they could maintain the price better than you could, of course, representing that larger percentage? Is not that the natural and inevitable logic of it?

Mr. ARBUCKLE. Yes; but excuse me, they can not control the price. The lowest seller controls the price. You can not get around that.

Mr. GARRETT. For the time being?

Mr. ARBUCKLE. It does not make any difference to the wholesale grocer whether he buys from the American Sugar Refining Co. or from us.

Mr. GARRETT. Well, we will leave that branch of it. I want to ask you one or two general questions. You say in your talks with the refiners about these different things or practices that you thought were wrong you always said there must be no agreement, did you not?

Mr. ARBUCKLE. Yes; no agreement on anything. Of course I take the ground that it was perfectly legitimate to start a trade laboratory. Do you know of any harm in that?

Mr. GARRETT. I can see no objection to it, but, of course, there are various other things which are of more importance in this inquiry than the matter of a trade laboratory.

Mr. ARBUCKLE. The matter of consigning sugar to little places. I said, "You are great fools, consigning the sugar and keeping it there a year for that one man to supply him; you are great fools."

Mr. GARRETT. But, as I understand you, there did come a time when you ceased selling sugar continuously at a loss, and when there was at least a cessation of hostilities, an armistice, so to speak, between you and the American Sugar Refining Co.

Mr. ARBUCKLE. There never was any armistice.

Mr. GARRETT. I am not asking you just now about an agreement, I am asking you about the fact that there did come a time——

Mr. ARBUCKLE (interposing). No.

Mr. GARRETT (continuing). When there was peace between you?

Mr. ARBUCKLE. It might break out at any moment, and every once in a while it would break out and the price would go to cost.

Mr. GARRETT. How long has it been since anything of that sort broke out, Mr. Arbuckle?

Mr. ARBUCKLE. Well, I could not fix the dates. We often have to do it to correct things, because things get so bad you can not stand it, and you have got to do it; it may come at any minute.

Mr. GARRETT. Have you any recollection now when there was an outburst of that sort?

Mr. ARBUCKLE. No; there were a great many at different times, and we would lose a pile of money.

Mr. GARRETT. You have been in business a long, long time?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. You know what the expression "cutthroat competition" means, and what that means to the average mind?

Mr. ARBUCKLE. Yes.

Mr. GARRETT. Now, when did that cease; that is, the cut-throat competition?

Mr. ARBUCKLE. Well, it would cease for awhile, and then the cut-throat competition would break out again.

Mr. GARRETT. When was the last outbreak?

Mr. ARBUCKLE. Well, I do not remember.

Mr. GARRETT. Three or four years ago?

Mr. ARBUCKLE. It is not a great while ago that we had to sell sugar at cost; I think last year we sold a lot of sugar at cost.

Mr. GARRETT. Well, now, was that as a result of a contest, or was it because of some peculiar condition that existed at that time, independent of the matter of a contest?

Mr. ARBUCKLE. Oh, well, they got to cutting prices, and so forth, and I think last year we sold sugar at cost.

Mr. GARRETT. Well, of course, I can understand that there come times in the sugar business when you sell for cost, and less than cost, on account of some condition other than that commonly understood to be caused by cut-throat competition.

Mr. ARBUCKLE. Well, we might say, "Now, here, it will pay to sell this sugar at cost for awhile, and get the atmosphere cleared up," you know; that is about the only way you can sometimes bring them to terms. The pocketbook sometimes is very effective in doing it.

Mr. GARRETT. Yes; that is a very potent thing. Now, what was the situation which you sought to clear up last year by selling at cost?

Mr. ARBUCKLE. I do not remember exactly what it was, but there was something or other, and I think we sold sugar last year at cost.

Mr. GARRETT. Do you remember just why it was you sold at cost then?

Mr. ARBUCKLE. No; I do not.

Mr. GARRETT. Was it a trade war? Was it the result of a trade war?

Mr. ARBUCKLE. Well, I have been so terribly opposed to these secret rebates and all those kind of things, and I would say, "There is no use in trying to make any money; just cut the thing wide open."

Mr. GARRETT. Do you remember whether this particular transaction last year was the result of a trade war between you and other refineries?

Mr. ARBUCKLE. These things were going on all the time. As I have been trying to make plain, we can not prove it, but we believe it. There were all of these things, and when we cut the thing wide open it clarified the atmosphere. Moral suasion did not appear to have very much effect. I tried to have peace and harmony and good will, but——

Mr. GARRETT (interposing). So you can not say, then, whether or not last year, when you were selling at cost, it was on account of a trade war, the animus of which was like that which prevailed——

Mr. ARBUCKLE (interposing). Now, you gentlemen appear to want to center everything in the American. Why, some of the others may be far worse than the American.

Mr. GARRETT. Well, we want to know about all of them, and you are mistaken in saying we are trying to center everything in the American.

Mr. ARBUCKLE. It does not make any difference to us who it is, but if it does affect our trade we must do something to hold our trade.

Mr. GARRETT. Well, in the transaction last year what company was that leveled against?

Mr. ARBUCKLE. I do not remember. Oh, you would have to go into the sugar business to understand all the tricks of the trade.

Mr. GARRETT. Certainly. I have no doubt that is true. But if there was a trade war on between you and somebody else, you could remember who that person is.

Mr. ARBUCKLE. I have not been very well, and I have not given the business as close attention as I otherwise would.

Mr. MADISON. Mr. Arbuckle, did you have any difficulty with the Warners?

Mr. ARBUCKLE. Well, no; I do not know. You know our Mr. Stillman left us a year or so ago—our manager—and he went with the Warners. I do not know of any difficulty. Of course we thought they were doing some underhanded things.

Mr. MADISON. What kind of underhanded things did you think they were doing?

Mr. ARBUCKLE. Oh, rebates, etc. I think there was some trouble.

Mr. MADISON. When was that; do you remember?

Mr. ARBUCKLE. It was just like this: I tried to make it clear before; suppose we are selling to a wholesale grocer thousands and thousands of barrels of sugar——

Mr. MADISON (interposing). Just a minute. I understood you about that.

Mr. ARBUCKLE. You understand that?

Mr. MADISON. Yes. You answer my questions. Just take it easy and answer my questions, and we will get along famously. Now, I am going to ask another question: Did you ever have any trouble with Claus Spreckels? With young Claus Spreckels, or Claus August Spreckels, who was the owner, or the principal owner, of the Federal Refinery?

Mr. ARBUCKLE. Well, I will tell you; his hatred was so intense against the American that when I was getting up this trade laboratory he did not join in, and I had the feeling it was just because the American was in that he would not have anything to do with it. I said, "That is foolish; what is the use of cutting off your nose to spite your face? Here you are losing hundreds of dollars a day, and why do you not come in?" And eventually they did come in. Of course, I thought it was carrying it too far, you know—this vindictive spirit.

Mr. MADISON. Did that have the effect of——

Mr. ARBUCKLE (interposing). Oh, it made a little coldness.

Mr. MADISON. Did the establishment of your trade laboratory have the effect of the elimination of trade rebates?

Mr. ARBUCKLE. Oh, no. It is this way; I will have to explain it.

Mr. MADISON. Not at all.

Mr. ARBUCKLE. It had nothing to do with it; the laboratory has nothing to do with trade rebates.

Mr. MADISON. That had the effect of eliminating the practice of fraud with the use of the polariscopic test.

Mr. ARBUCKLE. Yes; that is it, the raw sugar.

Mr. MADISON. Now, we have had some interesting things before us as a committee. We learned the other day that Mr. Parsons, from his testimony, was the father, in a sense, of the Sugar Trust.

Mr. ARBUCKLE. Yes.

Mr. MADISON. And we learned that Mr. Claus August Spreckels might be called the disturber in sugar. Now, I would say from your testimony, and from your kindly disposition, and from what you have said as to your efforts along certain lines, that you might be very well called the peacemaker.

Mr. ARBUCKLE. I tried to, but I did not always succeed.

Mr. MADISON. I say, in a kindly way, you rather endeavored to cause the companies to get together. I do not mean in the sense of violating the law, but in relation to practices which were causing the trouble in sugar; that is true, is it not?

Mr. ARBUCKLE. Well, I was the older man in the business, you know; I am 72 years of age, and there were younger men, and they would drop in to see me, you know, and say, "This thing is wrong, and the other thing is wrong." So I would try to pour oil upon the waters, you know.

Mr. MADISON. You tried to smooth things over?

Mr. ARBUCKLE. Yes. We are none of us perfect.

Mr. MADISON. And you think you have accomplished several things? One has been the elimination of fraud connected with the polariscopic test, and the other has been the matter of secret rebates by refiners? You have pretty well eliminated those things, have you not?

Mr. ARBUCKLE. Of course, they all give me credit for this polarization, which was a steal, and they give me that credit, and then give me credit for this wasteful plan of scattering sugars all over the country, that cost the refiners millions and millions of dollars; they give me that credit.

Mr. MADISON. Also the elimination of the secret rebates?

Mr. ARBUCKLE. Well, I was constantly on that; I was saying to everybody, "Why do you not do business straight?"

Mr. MADISON. That is all right; just a moment; I do not want you to talk too much: I come from a country where the folks are so used to talking that I like to talk lots myself, and I want to talk a little to you now, and you just answer as briefly as you can. To sum up the matter, you succeeded in accomplishing three things, or in getting the companies together on three propositions in helping to eliminate evils from the sugar business, first, frauds connected with the polariscopic test; second, selling on a guaranteed price; and third, stopping rebates among sugar refiners.

Mr. ARBUCKLE. If you would not think I was too egotistic, I would like to tell you about the good effects of it.

Mr. MADISON. I would not think you were egotistic, but the time is short, and, as a matter of fact, you feel you accomplished those three things?

Mr. ARBUCKLE. I did. I would not say altogether, nor would I say altogether about the secret rebates, because——

Mr. MADISON (interposing). They go on now?

Mr. ARBUCKLE. Those were the principal and most important things in my thoughts; it cost us at times such piles of money that I preached on that.

Mr. MADISON. Well, I think that is perfectly proper. Anything in the way of a secret rebate in trade is a thing to be condemned by all honest men. The trade ought to be open and fair.

Mr. ARBUCKLE. I was trying to treat everyone alike.

Mr. MADISON. And any effort you made along that line was all right. Now, then, I can understand the influence of a man like yourself in a trade war that might break out; you would not be inclined to carry the war to the point of extermination or anything of that kind?

Mr. ARBUCKLE. No.

Mr. MADISON. Neither would you, I assume, be inclined to engage in agreements that might be in violation of law?

Mr. ARBUCKLE. That was always uppermost in my thoughts.

Mr. MADISON. You always avoided that?

Mr. ARBUCKLE. I did.

Mr. MADISON. Now, Mr. Arbuckle, you started in the sugar business about 1897?

Mr. ARBUCKLE. Well, we commenced to build our refineries then, or in 1898.

Mr. MADISON. It was your first operation?

Mr. ARBUCKLE. Yes.

Mr. MADISON. Well, now, it is true, is it not, as a matter of fact and as a matter of history, that when you started to go into the sugar business, the American Sugar Refining Co. was in control of, perhaps, 70 per cent of the business of the country, and a short time previous to that had control of 98 per cent, and it is a fact that they resented your going into the business, is it not?

Mr. ARBUCKLE. Well, everybody believed they did, and I believed it.

Mr. MADISON. You saw the evidence of it? There was no question about it, was there?

Mr. ARBUCKLE. No.

Mr. MADISON. They organized the American Coffee Co., did they not?

Mr. ARBUCKLE. They bought out the Woolson Spice Co. That was one of our principal competitors, and they did a large business.

Mr. MADISON. In other words, one of the first things they did was to buy out your principal competitor?

Mr. ARBUCKLE. A controlling interest.

Mr. MADISON. Well, that, in effect, was to buy out your principal competitor?

Mr. ARBUCKLE. Yes; it was a corporation, and they controlled it.

Mr. MADISON. I read last night in the minutes of the executive committee of the American Sugar Refining Co. that in 1901 they authorized the Woolson Spice Co. to spend $200,000 in advertising. That is quite an advertising bill, is it not, or was, in 1901?

Mr. ARBUCKLE. Well, that is away back, yes; but that is not an immense sum for advertising.

Mr. MADISON. Well, they authorized that largely for the purpose of advertising this package coffee in competition with you?

Mr. ARBUCKLE. Yes; naturally.

Mr. MADISON. You say that is not a large sum for a firm like the Woolson Spice Co. to pay out in the way of advertising?

Mr. ARBUCKLE. No. You know and I know of firms that spend a half million dollars in advertising.

Mr. MADISON. I am talking about the Woolson Spice Co. in advertising their business.

Mr. ARBUCKLE. I think it was a large sum, of course.

Mr. MADISON. Now, then, they also organized a corporation known as the American Coffee Co., did they not, for the purpose of competing with you?

Mr. ARBUCKLE. Yes. I am a little musty about that; I do not know whether they took over the Woolson Co. or not; I do not think they did; I think they ran them separate, but I am not sure.

Mr. MADISON. But they did, in fact, control the Woolson Spice Co.?

Mr. ARBUCKLE. Yes; but whether they were run as two distinct corporations I am not quite clear about, but I think they were.

Mr. MADISON. The Woolson Spice Co. was located in Toledo, Ohio?

Mr. ARBUCKLE. Yes, sir.

Mr. MADISON. And the American Coffee Co. was located at Brooklyn, was it not?

Mr. ARBUCKLE. Well, I suppose it was organized in New Jersey.

Mr. MADISON. I mean their place of operation?

Mr. ARBUCKLE. In Brooklyn; yes.

Mr. MADISON. Now, because you went into the sugar business they went into the coffee business?

Mr. ARBUCKLE. That is the general impression; certainly it was my belief.

Mr. MADISON. And the effect of it was that they put the price down on you, did they not?

Mr. ARBUCKLE. Oh, yes.

Mr. MADISON. And they did everything they could to punish you because you went into the sugar business, did they not?

Mr. ARBUCKLE. Well, it looked like it.

Mr. MADISON. Now, that condition of affairs went on for some time; you resented it, and you fought back, did you not?

Mr. ARBUCKLE. Fought as hard as we could.

Mr. MADISON. And you succeeded in capturing Ohio and West Virginia, very largely, did you not, in the sugar business?

Mr. ARBUCKLE. Well, may I explain that?

Mr. MADISON. Please answer that, yes or no.

Mr. ARBUCKLE. I do not know that we captured those States. As I remember it, they were giving rebates to the grocers, and the only way we could counteract that was to sell at a reduced price, you know, and we got a large trade from it.

Mr. MADISON. And you practically ran them out of Ohio and West Virginia, did you not?

Mr. ARBUCKLE. Yes.

Mr. MADISON. In that war you did run them out of those two great States?

Mr. ARBUCKLE. Not altogether.

Mr. MADISON. Certainly not, but practically so.

Mr. ARBUCKLE. Yes; we got a large increase in our trade.

Mr. MADISON. Yes. I saw one instance in the minutes where they charged off to profit and loss, as a result of that war, at one time something like $700,000.

Mr. ARBUCKLE. The sugar war?

Mr. MADISON. Yes, with you. And I saw that they loaned the Woolson Spice Co., in order to finance them, a sum amounting to—and I am making a guess from what I saw—five millions of dollars in a very short time, a comparatively short time.

Mr. ARBUCKLE. I think that would be excessive—$5,000,000.

Mr. MADISON. Well, that might be true.

Mr. ARBUCKLE. I do not see how they could do that.

Mr. MADISON. It certainly was very close to $4,000,000.

Mr. ARBUCKLE. I think that would be excessive.

Mr. MADISON. Well, if you will look at the minutes——

Mr. ARBUCKLE (interposing). I have never seen the account.

Mr. MADISON. I read over the minutes last night.

Mr. ARBUCKLE. That appears to be a very large amount.

Mr. MADISON. Certainly. But they loaned a lot of money to that company, as is shown by their minutes. Now, some of it may have been renewals, so that the total amount may not have been so much. I made that as a guess, not having the books before me, and they may not have loaned them that much, but it certainly was somewhere between four and five million dollars. Now, they were doing that for the purpose of driving you folks off the face of the earth, to put in in plain terms.

Mr. ARBUCKLE. It looked like it, did it not?

Mr. MADISON. Yes; it does look like that to me. Now, then, I saw in those minutes where, in 1903, on the 24th day of February, 1903, the executive committee passed a resolution authorizing Mr. Arthur Donner to take charge of the Woolson Spice Co. and the American Coffee Co., and thereafter not to run the business at a loss, and from 1898 to 1903 was five years, and I have learned that the sugar war with you, their attempts to destroy you, lasted about five years, and I concluded that that marked the end of the war. Now, I do not mean by the end of the war that you made and entered into any agreement to combine your interests, or anything of that kind, but at that time, for one reason or another, they concluded to quit. Is not that about the time they quit what might be called their active, violent, cutthroat competition with you, sometime along about the first of 1903?

Mr. ARBUCKLE. What year?

Mr. MADISON. 1903.

Mr. ARBUCKLE. Oh, to the best of my recollection, it has continued. Oh, it never ended. Of course, sometimes it was more violent than at others, but it never ended.

Mr. MADISON. Well now, do you mean to say by that that you never met and formed an agreement to quit, or anything of that kind?

Mr. ARBUCKLE. No.

Mr. MADISON. But is it not true——

Mr. ARBUCKLE. But things were moving more smoothly.

Mr. MADISON. Yes; they modified down like everything about that time, did they not?

Mr. ARBUCKLE. Yes.

Mr. MADISON. If they afterwards conducted the business of the Woolson Spice Co. and the American Coffee Co. at a profit and not at a loss, it was after that time? The conditions were fair, and the trade and competition between you were upon fair terms, were they not?

Mr. ARBUCKLE. Well, they were never very fair; no.

Mr. MADISON. They were never very fair to you?

Mr. ARBUCKLE. No; never very fair. These miserable, underhand, secret rebates, and all those things, they were never very fair.

Mr. MADISON. Well, the American Co. did that right along?

Mr. ARBUCKLE. Very largely.

Mr. MADISON. They tried to corral the whole trade, but they did not succeed?

Mr. ARBUCKLE. They are trying to do it to-day.

Mr. MADISON. As a matter of fact, you would say they are trying to do it to-day?

Mr. ARBUCKLE. It is not as bad as it was. You know Mr. Havemeyer in his lifetime was very, very aggressive, and so forth, and so on. These gentlemen, I think, are more fair-minded and liberal men.

Mr. MADISON. Havemeyer was not alone aggressive and dominating, but he was one of those fellows who grabbed the weapon that was at hand and went after his enemy without regard to the character of the weapon or method, was he not?

Mr. ARBUCKLE. Yes; he would not stop at anything.

Mr. MADISON. He hesitated at nothing? That is the kind of warfare he waged up to the time of his death?

Mr. ARBUCKLE. Yes; but he was not as bad in late years.

Mr. MADISON. He kind of modified down?

Mr. ARBUCKLE. Yes; he was older, and he found he could not do everything that he thought he could.

Mr. MADISON. Well, now, you were an older man than he, were you not?

Mr. ARBUCKLE. Oh, yes.

Mr. MADISON. And you would go to his house and see him?

Mr. ARBUCKLE. Sometimes; not often.

Mr. MADISON. Of course, both of you being in the business, you went largely for the purpose of talking over business matters?

Mr. ARBUCKLE. Yes; as to these different things that would come up from time to time.

Mr. MADISON. Did you call on him in a social way, or were your visits purely on business matters?

Mr. ARBUCKLE. No; it was always business. But I would see his home life, and so forth, and notice him with his family, and all that kind of thing, and I saw that up town he was a different man from down town. Of course, they tell the story of his saying, "I have not got a friend below Forty-second Street," but he had a great many friends up town, you know. I think he took an erroneous idea about business, that a man in business had to fight everybody, and all that. He never accomplished as much as he could have accomplished in that way, do you think he could?

Mr. MADISON. No; I do not think he could, although it must be admitted he was reasonably successful.

Mr. ARBUCKLE. The fellow that wants to own the world does not always get it.

Mr. MADISON. But in the sugar world—and this is aside—in 1891 he had 98 per cent of the business.

Mr. ARBUCKLE. Yes; a pretty large percentage.

Mr. MADISON. You take the American Sugar Refining Co. to-day, and with its beet-sugar allies it runs over 50 per cent of the business, and if it gets the National——

Mr. ARBUCKLE (interposing). You are counting in the National, are you?

Mr. MADISON. No.

Mr. ARBUCKLE. You are counting in beets.

Mr. MADISON. Yes; I say with their beet allies they have over 50 per cent, and if they get the National they will run over 60 per cent.

Mr. ARBUCKLE. That is, of the whole consumption in the United States?

Mr. MADISON. Yes; I am talking about the production in the United States.

Mr. ARBUCKLE. I do not doubt it, but I have not the figures.

Mr. MADISON. Well, now, you had some admiration for Mr. Havemeyer, had you not?

Mr. ARBUCKLE. Well, some; yes. I remember one time I met him in Paris; he was very pleasant. Of course he knew far more about the sugar business than I did, and I used to talk with him about sugar and all those kind of things.

Mr. MADISON. There never was a time when you and Mr. Havemeyer could not meet on perfectly friendly terms?

Mr. ARBUCKLE. No.

Mr. MADISON. There was no personal difference, notwithstanding the character of the war he was waging?

Mr. ARBUCKLE. Of course I did not like it, but I could not help it.

Mr. MADISON. Did he ever come to your house?

Mr. ARBUCKLE. No. He said he would come to my house.

Mr. MADISON. Did he at any time after that go to your house?

Mr. ARBUCKLE. No. All of my meetings with him were on business, except in Europe, where I met him socially.

Mr. MADISON. Did you met him in Europe along about 1903 or 1902?

Mr. ARBUCKLE. No; I think that was before we went into the sugar business. You see, we were large customers of theirs.

Mr. MADISON. Would you not say that after 1903 the fierceness of the contest was to a large extent modified?

Mr. ARBUCKLE. I think so; it was modified but not ended.

Mr. MADISON. In other words, what you mean to say is that there is actual, potential competition between you and the American Sugar Refining Co. and always has been?

Mr. ARBUCKLE. Yes. Although I have worked constantly and continuously at it I have never got the business on what I would consider a square, legitimate footing, you know. I had not been brought up to do business in those ways in the coffee business.

Mr. MADISON. Now, let me see. There seems to me to be an inference that would apply from certain facts that you have told me

about, and they are perfectly reasonable and natural. You and Mr. Havemeyer were the older men in the business?

Mr. ARBUCKLE. Oh, yes. No, there was a Mr. McCahan in Philadelphia, but he was not prominent; he was older than either one of us. I suppose, however, you are talking about New York now?

Mr. MADISON. Yes, New York, and of those who were strong in the business. You were both aggressive men?

Mr. ARBUCKLE. I do not think I was very aggressive.

Mr. MADISON. You had carried on, up to 1903, a pretty violent war with each other and in which all of you had lost money?

Mr. ARBUCKLE. Certainly.

Mr. MADISON. That was inevitable?

Mr. ARBUCKLE. Yes.

Mr. MADISON. A thing of that kind, carried on to its final analysis, means destruction to both. Now, I should think that two men whose hairs were whitened by years and who met each other socially, one thinking the other was not as black a creature as he had been painted, and one of them being a peacemaker like yourself, would be inclined to say, "What is the use of all this thing, what is the use of all this row, and all this trouble, and cut-throat business in which we are both losing money, so why not quit it and get back to the point of decent, fair competition, and fair trade conditions?" It seems to me inevitable that such a talk would occur.

Mr. ARBUCKLE. No. After the first talk, when I said to Mr. Havemeyer, "You will never own a dollar's worth of the stock," I have no recollection of anything like that occurring. The whole thing was about correcting these abuses.

Mr. MADISON. Then, you never did have a talk with him about stopping this competition between you and Mr. Havemeyer?

Mr. ARBUCKLE. No; there was no use. I have no recollection of any such talk.

Mr. MADISON. Do you mean to state to me positively that no such conversation, in substance like that I have related, occurred?

Mr. ARBUCKLE. I have no recollection of any such conference.

Mr. MADISON. You would not say that it did not occur, but simply that you do not recollect it?

Mr. ARBUCKLE. I do not think it occurred, because it was not in the nature of things. I did not want to get down on my knees to Mr. Havemeyer.

Mr. MADISON. No: I did not suggest any such a state.

Mr. ARBUCKLE. I just wanted to make him feel we could hoe our own row, and that he could never down us.

Mr. MADISON. I did not suggest any such thing as getting down on your knees to him.

Mr. ARBUCKLE. I knew him too well. There was only one way to get along with Mr. Havemeyer, and that was to be just as arbitrary as he was and not give way, and those people who took that attitude got along much better than those fellows who got down on their knees. Now, to illustrate that: There was a young man, who afterwards became a very prominent business man in New York, who was a collector for a large raw sugar house. He went around there to collect a bill of $200,000, and he called several times and could not get any satisfaction. So he said, "I am not going to be running after that, I will go right up and see Mr. Havemeyer." So he went up

and he said, "I want to collect that bill." Mr. Havemeyer said something that was not very nice to him, and the young man, turning on his heel, said, "You go to hell." And so on the way back to the office he said, "What in the world have I done? I have told Mr. Havemeyer to go to hell, and I suppose I will get my discharge." And shortly after that there was a message from Mr. Havemeyer saying, "If you will send that bill around I will see that it is paid, and I want that young man to bring it." And so the young man went around with the bill and Mr. Havemeyer had the check ready for him, amounting to $200,000, and he said, "Can I trust you with that money?" And the young man said, "Yes; you can trust me with all you are worth." That was the only way to talk to Mr. Havemeyer, you know. I did not get down on my knees to Mr. Havemeyer, although I said we were a set of fools to use these business principles in the sugar refining business. But he was a very careful man, you know, and he never put his foot in it; he was afraid of the law.

Mr. MADISON. He had a wholesome fear of it?

Mr. ARBUCKLE. Yes. I never begged for mercy.

Mr. MADISON. Now, I am not saying you did, nor did I suggest that you begged for mercy.

Mr. ARBUCKLE. But I did call the sugar men the biggest set of fools in the world, and they were.

Mr. MADISON. And they finally agreed with you, did they not?

Mr. ARBUCKLE. In the way they did business.

Mr. MADISON. Taking your story to its logical result, he finally agreed with you that you were fools in the way you were carrying on the business, did he not?

Mr. ARBUCKLE. Yes; he did.

Mr. MADISON. Did he not tell you, as a matter of fact, that you had been foolish in the way in which you had carried on the war with each other?

Mr. ARBUCKLE. No; he never admitted that.

Mr. MADISON. Who was the fellow who quit first?

Mr. ARBUCKLE. How do you mean quit?

Mr. MADISON. I am going to complete the question. Who was the man who quit first in the matter of the cutting of prices? It was Mr. Havemeyer, of necessity, was it not?

Mr. ARBUCKLE. Well; he put up his price.

Mr. MADISON. That is the idea exactly; he was the fellow who quit?

Mr. ARBUCKLE. And we all followed. We were very glad to get the chance to make a little money.

Mr. MADISON. And you have actually been following along the same line ever since, have you not?

Mr. ARBUCKLE. Oh, no; sometimes we were the aggressors and cut the thing wide open.

Mr. MADISON. But when you felt that they were giving some rebates, and things of that kind, then you would cut the thing wide open, would you not?

Mr. ARBUCKLE. Well, they might be, and there are others that give them; I believe there are others that give them; I can not prove it. You know sometimes the fight would be with others, too.

Mr. MADISON. You would take the initiative of making an open reduction in price whenever you felt somebody else was making a secret cut or price?

Mr. ARBUCKLE. Yes; we had to do it or lose our trade.

Mr. MADISON. Then in the instances when you made a cut in price you thought the other fellows were doing it too?

Mr. ARBUCKLE. Yes; we had to do it or lose our business, and otherwise, our sugar refining business would not be worth anything; we had to protect our trade.

Mr. MADISON. You welcomed, of course, as you said awhile ago, the American Sugar Refining Co. puting up its price in order that you might go ahead and get on the same general level?

Mr. ARBUCKLE. Yes; we would have been consummate asses if we did not.

Mr. MADISON. And the natural practice that you would follow would be to follow the price of the dominating corporation in the business?

Mr. ARBUCKLE. Well, the little fellow could fix the price as well as they could.

Mr. MADISON. Absolutely; when it comes to a minimum price there is no question about that.

Mr. ARBUCKLE. They are the biggest power, of course.

Mr. MADISON. Now, aside from the question of power, they have got about eight or nine million barrels of sugar to move in a year, and you have got about 750,000 barrels.

Mr. ARBUCKLE. Oh. no, no.

Mr. MADISON. How many barrels?

Mr. ARBUCKLE. We have well on to two millions to move; not quite that, but well on to that.

Mr. MADISON. Now, if they have eight or nine million—and I think it is about nine million—barrels to move, and you have two millions to move, then, of course, they are the people who are interested in the top price, and in maintaining the general level of prices more than the rest of you, are they not; and you take their price when you can get it, or you go below theirs in order to move your sugar—that is the fact of the matter, is it not?

Mr. ARBUCKLE. Getting the price down does not often move sugar. It stops the trade.

Mr. MADISON. I am taking a general illustration, you know.

Mr. ARBUCKLE. It is not a good illustration. It is only nine-tenths of the sugar, I would say, that is sold on a rise in the market.

Mr. MADISON. Mr. Gus Spreckels, as I think he is more familiarly known, testified before our committee on Saturday last, and I inferred, and I think others did, from his testimony, and I think he wanted us to infer, that the American Sugar Refining Co. was guilty of some very unfair practices toward him when he started in business. Among other things, he said that he found a lot of dead rats in his barrels—his sugar barrels—and that while he could not say who did it, he inferred there was but one institution that would have a motive in doing it. Were any such unfair practices ever resorted to in order to drive you out of the business?

Mr. ARBUCKLE. No; no, sir.

Mr. MADISON. None whatever?

Mr. ARBUCKLE. Oh, no. While he was a very queer man, Mr. Havemeyer would not stoop to do a thing like that I do not think from what I knew of the man. Oh, no. Why, that is horrible to think about.

Mr. MADISON. Mr. Spreckels also said to us that on several occasions he had talked with you about this sugar war, and that you had acted the rôle of peacemaker a little, and said to him, in substance—I am not quoting him literally—that there was no need of carrying on this difficulty, and that it would be a good idea to limit your output, a good idea for him to limit his output and that more money could be made by it, or something of that kind, and he said that you said to him, not once, but my recollection is, several times—am I right about that, Mr. Garrett?

Mr. GARRETT. It occurred at least once, and I think several times.

Mr. MADISON. That you were limiting your output in order to maintain a general level of prices in the country on granulated sugar. Now, after consulting with my colleague we felt it was but fair to ask you to give your version of the conversations between you and Mr. Spreckels on that subject.

Mr. ARBUCKLE. Mr. Spreckels used to come into my office very often to see me, and he would always have a terrible tale of woe about the American, about all the things they did, and so forth, and so on; but I never made any agreement, directly or indirectly, about any output or any price; no. Of course, everybody knew, without talking about it, that there was too much sugar made, and that there were stocks of sugar all over the country. As I tried to explain a while ago about this consigning of sugar, hundreds of thousands of barrels were scattered all over the world. I said, "Oh, it is a shame to throw money away in this way." Everybody was consigning these sugars, and were doing all those things, and giving these secret rebates, and that is about the subject of the talks. But I never agreed, never.

Mr. MADISON. Did you ever say to Mr. Spreckels anything of the kind about which he has testified?

Mr. ARBUCKLE. No.

Mr. MADISON. Nothing at all in substance?

Mr. ARBUCKLE. I always had that in mind, that there must be no agreement. I said, "Gentlemen, every fellow can do as he pleases; I will do as I please, and you can do as you please, but we can not talk about it; you gentlemen know about this Sherman law."

Mr. MADISON. Whenever they approached you with anything of that kind you said no?

Mr. ARBUCKLE. And Mr. Havemeyer was very particular about that.

Mr. MADISON. And whenever these fellows suggested anything of the kind to you, you always put behind you the matter of limiting the output and things of that kind?

Mr. ARBUCKLE. I think they all had that feeling.

Mr. MADISON. Had what feeling?

Mr. ARBUCKLE. That it was a dangerous ground to tread on, you know.

Mr. MADISON. I rather gathered the inference from what you said that some one had rather suggested the matter and you had warned them that they must keep away from anything of that kind.

Mr. ARBUCKLE. Of course, these people would come and they put up these things, and I would say, "Talk about all those things, or anything, but you can not talk to me about fixing the price or the melting, because you know what the consequences are."

Mr. MADISON. Who was it that came to you and talked about fixing the price?

Mr. ARBUCKLE. Why, no one.

Mr. MADISON. Well, then, how was it you came to make these remarks?

Mr. ARBUCKLE. Well, I put them on their guard. I was the older man, and so forth and so on, and I was always afraid that something would come up, and you know how things are construed—how things commence with one thing, and they are added to; so Mr. Spreckels is wrong about that.

Mr. MADISON. That statement is not true?

Mr. ARBUCKLE. No. Of course everyone knew, you know, that there was too much sugar in the country.

Mr. MADISON. Mr. John E. Parsons testified before us also.

Mr. ARBUCKLE. Yes.

Mr. MADISON. He testified about a conversation between you and himself?

Mr. ARBUCKLE. Yes.

Mr. MADISON. Do you remember that?

Mr. ARBUCKLE. I saw Mr. Parsons; yes. I wrote a note once to Mr. Havemeyer. Says I, "Mr. Havemeyer, you know more about sugar than I do, and I know more about coffee than you do," and of course I thought I would talk kindly, and so forth, and I said, "Of course, we are losing a lot of money," and so forth and so on. And I had seen such good results in my time that came from kindly talks, and although he was pretty severe sometimes, I thought he did soften as he grew older. I have had a good many fights in coffee, and so forth, and I found it paid to have things right no matter what it cost.

Mr. MADISON. Then you had a talk with him?

Mr. ARBUCKLE. With Mr. Parsons?

Mr. MADISON. Yes.

Mr. ARBUCKLE. Yes. He said, "Go and see Parsons." So I went to see him, but there was nothing, you know. He said, "Have you any proposition to make?" And I said, "No," and I said, "Have you any?" And he said, "No," so that was the end of it.

Mr. MADISON. When was it you went to see Mr. Parsons?

Mr. ARBUCKLE. I do not remember; I have no note of it in any way.

Mr. MADISON. It was at the time of the fight, I suppose? Very soon after that they got over their fierceness and raised their prices and things went along?

Mr. ARBUCKLE. No; I do not remember that. If things had been going on smoothly, why, probably, I would not have had anything to say.

Mr. MADISON. Well, but I mean previous to that time things had not been going on smoothly, had they?

Mr. ARBUCKLE. No; but I have no recollection. No; it did not do any good at all.

Mr. MADISON. It went right along just the same?

Mr. ARBUCKLE. Yes.

Mr. MADISON. Until finally they just quit?

Mr. ARBUCKLE. Just quit? I do not know when. There is no quitting; there is no quitting, but I will admit this, that gradually kindlier feelings prevailed, and that is what I was working for. I knew there could not be any agreement; but the keynote was always kindlier feelings. "The world is big enough for us all"; that used to be my thought.

Mr. MADISON. Your organization over here in Brooklyn, as I understand it, is a partnership?

Mr. ARBUCKLE. Yes.

Mr. MADISON. It is not a corporation?

Mr. ARBUCKLE. Not at all.

Mr. MADISON. What kind of a business is run in Pittsburg?

Mr. ARBUCKLE. That is the parent house; that is a wholesale grocery house. This business all sprang from that.

Mr. MADISON. Is that a corporation?

Mr. ARBUCKLE. No; a firm; the same firm, only under a different name.

Mr. MADISON. Your firm goes under the name of——

Mr. ARBUCKLE (interposing). Arbuckles & Co., in Pittsburg, but when we came to New York, in order to keep our books separate, we made it Arbuckle Bros. My brother was living then.

Mr. MADISON. What is the amount of money that you have actually invested in the sugar business now?

Mr. ARBUCKLE. I do not know. I could not answer that, and I will tell you why. For instance, suppose sometimes we might have 10,000 tons of sugar, and another time we might have 50,000 tons, and another time 100,000 tons, and we would only put money into the sugar business as we needed it; we would not keep it there.

Mr. MADISON. You do not know how much you have actually invested there?

Mr. ARBUCKLE. It varies all the time; there is no capital stock.

Mr. MADISON. How much is a fair valuation of the property, aside from raw material? Eliminating the raw material, what is a fair valuation of your plant, with the real estate?

Mr. ARBUCKLE. I would not fix that, gentlemen, because I do not carry the figures in my head.

Mr. DYKMAN. And there are several reasons why he could not, because this question is up for taxation now.

Mr. ARBUCKLE. I do not think it could be much less than a couple of millions, and it might be some more.

Mr. MADISON. You are not able to state what it is?

Mr. ARBUCKLE. No; on purpose I do not carry in my mind all of these details; I do not want to do it.

Mr. MADISON. You still sell your sugar and coffee in Ohio and West Virginia, do you not?

Mr. ARBUCKLE. Oh, yes.

Mr. MADISON. You are pretty largely in possession of that field?

Mr. ARBUCKLE. I think we have the larger part of that trade; I am not certain.

Mr. MADISON. You are still holding it?

Mr. ARBUCKLE. I think we are.

Mr. MADISON. Do the American people go in there?

Mr. ARBUCKLE. Oh, yes.

Mr. MADISON. And try to sell in there?

Mr. ARBUCKLE. Oh, certainly.

Mr. MADISON. But, after they concluded to raise the price, they left you largely in possession of the territory in which you were, did they not?

Mr. ARBUCKLE. Well, of course, you know the way the business is done. For instance, we have agents in every principal point, and the American Sugar Refining Co. has agents, and so forth. They keep drumming the trade all the time, you know. Of course we do not own the trade. Of course we may get a preference, you know; they feel kindly toward us because we fought for them.

Mr. MADISON. That is the feeling of the trade?

Mr. ARBUCKLE. Yes; they may feel kindly.

Mr. MADISON. And they stay with you?

Mr. ARBUCKLE. But we do not own the trade.

Mr. MADISON. No, no; of course not. A kindlier feeling on the part of the American is what has kept them off of your toes in that territory?

Mr. ARBUCKLE. No.

Mr. MADISON. And that you won in the fight?

Mr. ARBUCKLE. No; they would like to get it back.

Mr. MADISON. Have they been fighting to get it back?

Mr. ARBUCKLE. Nothing very aggressive; but they would like to have it. Oh, no; we have not and no firm has any staked-off grounds that they own.

Mr. MADISON. Well, did you ever obtain any rebates from the railroads during the time those things were being given by the railroads?

Mr. ARBUCKLE. I did not attend to that at all; I did not attend to it all, purposely.

Mr. MADISON. Do you know of any rebates or of any discriminations of any kind or of unfair treatment that is being practiced against you by other companies in the matter of railroad concessions or discriminations?

Mr. ARBUCKLE. Oh, you know years ago everybody got rebates.

Mr. MADISON. I am talking about the present time.

Mr. ARBUCKLE. I do not know anything about that.

Mr. MADISON. Now, you folks own a lighterage business—the Jay Street terminal?

Mr. ARBUCKLE. Yes.

Mr. MADISON. How much are you allowed for the freighting of your product—that is, your sugar from the Jay Street terminal to the railroads on the Jersey side?

Mr. ARBUCKLE. You see we own our locomotives and we own our car floats and we own equipment and all that, and we do a lighterage business for anybody. Of course we lighter our own goods, but we lighter for all. Where our sugar refinery is located it is just a nest of manufacturing places.

Mr. MADISON. I know that. What I asked you——

Mr. ARBUCKLE (interposing). And we do their business and our own business, too.

Mr. MADISON. Say, for instance, you get an order for a carload of sugar from Pittsburg over the Pennsylvania, you would lighter it from your terminal around to the Pennsylvania yards in Jersey City?

Mr. ARBUCKLE. Yes.

Mr. MADISON. Now, then, how much would you be allowed per hundred pounds?

Mr. ARBUCKLE. I think that is 3 cents a hundred; I think that is the lighterage charged for points east of Pittsburg and Buffalo; that is my remembrance.

Mr. DYKMAN. You know that 3 cents is not alone for lighterage; you know what that is paid for?

Mr. MADISON. What is it paid for?

Mr. DYKMAN. Why, it is to pay for the upkeep of the real estate.

Mr. ARBUCKLE. We have a million dollars' worth of real estate there.

Mr. MADISON. I understand that.

Mr. ARBUCKLE. We have freight stations.

Mr. MADISON. But about 3 cents is allowed in the case of a shipment to Pittsburg?

Mr. ARBUCKLE. Yes.

Mr. MADISON. I think Mr. Jamison testified it was about 4 cents out of 15.

Mr. ARBUCKLE. How is that? There are different rates, is not that right, Mr. Dykman?

Mr. DYKMAN. Four and one-fifth cents west of the western terminii of the New York traffic routes, and 3 cents to Pittsburg; that is one terminal point, and 4⅕ cents if it goes west of the western terminii.

Mr. ARBUCKLE. I have never taken much interest in that. We have a large amount of money in our terminal; we have fine wharves, and everything like that. We would like you to come over and see.

Mr. MADISON. Is the terminal business incorporated?

Mr. ARBUCKLE. Mr. Dykman could tell you more about that than I can.

Mr. DYKMAN. No; it is not.

Mr. MADISON. The Jay Street Terminal?

Mr. DYKMAN. It is not incorporated.

Mr. MADISON. By whom is it owned?

Mr. DYKMAN. The very same partners, and under the same partnership.

Mr. MADISON. But conducted as a separate and distinct business?

Mr. ARBUCKLE. Yes; absolutely.

(The subcommittee thereupon adjourned.)

No. 29

HEARINGS

HELD BEFORE THE

SPECIAL COMMITTEE ON THE INVESTIGATION OF THE AMERICAN SUGAR REFINING CO. AND OTHERS

MONDAY, JULY 24, 1911

HOUSE OF REPRESENTATIVES

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

SPECIAL COMMITTEE ON THE INVESTIGATION OF THE AMERICAN SUGAR REFINING CO.

HOUSE OF REPRESENTATIVES.

THOMAS W. HARDWICK, *Chairman.*

FINIS J. GARRETT.	GEORGE R. MALBY.
WILLIAM SULZER.	J. W. FORDNEY.
JOHN E. RAKER.	E. H. MADISON.
H. M. JACOWAY, JR.	A. C. HINDS.

AMERICAN SUGAR REFINING CO.

SPECIAL COMMITTEE ON THE INVESTIGATION
OF THE AMERICAN SUGAR REFINING CO. AND OTHERS,
New York, Monday, July 24, 1911.

The committee met at 10 o'clock a. m., Hon Thomas W. Hardwick (chairman) presiding.

TESTIMONY OF MR. CLAUS AUGUST SPRECKELS—Continued.

The CHAIRMAN. Mr. Spreckels, before we continue your testimony, will you show us the pictures which you have produced?

Mr. SPRECKELS. I would like very much to invite your attention to them [handing photographs to the chairman].

Mr. Chairman, I also have the picture, which I could not find on Saturday, of the vessel which went down to New Orleans.

The CHAIRMAN. That is the one you only got one-third loaded?

Mr. SPRECKELS. Yes; and this is a photograph of the vessel before she departed.

The CHAIRMAN. What was the name of that vessel?

Mr. SPRECKELS. I will have to furnish the name later.

The CHAIRMAN. There is one transaction I want to invite your attention to, which I omitted in my examination Saturday. There has been some testimony before this committee that on one occasion the price on the Pacific coast was so inviting that you sent a vessel around the Horn. Will you describe briefly to this committee that venture, and what happened, and why you sent it, and how you came out on it, and all the details about it?

Mr. SPRECKELS. The price of sugar ranging, at the time the vessel departed here for San Francisco, was 5.60 per hundred pounds.

The CHAIRMAN. At San Francisco?

Mr. SPRECKELS. Yes.

The CHAIRMAN. What year was that, Mr. Spreckels?

Mr. SPRECKELS. Last year.

The CHAIRMAN. What was the price here at the same time?

Mr. SPRECKELS. At the same time here the price was 5 cents, but we had a surplus of product and would probably have to cut it down to 4.90.

The CHAIRMAN. In other words, it was 60 or 70 points higher there?

Mr. SPRECKELS. It was 60 or 70 points higher on the Pacific coast than it was here.

The CHAIRMAN. And that tempted you to make this venture?

Mr. SPRECKELS. We always go to the highest market with the idea of getting the highest price for our product.

The CHAIRMAN. Now, tell us what that venture was.

Mr. SPRECKELS. We sent between 5,000 and 6,000 tons of refined sugar to the Pacific coast.

The CHAIRMAN. How did you send it?

Mr. SPRECKELS. By steamer, one load, a whole cargo.

The CHAIRMAN. A steamer load of refined sugar?

Mr. SPRECKELS. Yes.

The CHAIRMAN. In round numbers, how many barrels would that be?

Mr. SPRECKELS. Between 35,000 and 40,000 barrels. Immediately after the arrival of the vessel I was approached by one of the wholesale grocers, who was anxious to buy the entire cargo, and offered for that cargo the prevailing price, with a discount of 25 cents per 100 pounds, or a quarter of a cent a pound less than the prevailing price.

The CHAIRMAN. A quarter of a cent under the prevailing market price at San Francisco?

Mr. SPRECKELS. Yes. I declined to sell it. I told him we had shipped the cargo out, and expected to receive the same price as the other refiners got for a like product; in fact, we claimed our product was far superior to anything they had on the coast. They all admitted that the product was good.

The CHAIRMAN. Who was this wholesale grocer; do you recall?

Mr. SPRECKELS. Yes, sir. His name is William Haas, of the firm of Haas Bros.

The CHAIRMAN. Was he acting for anybody in this matter, or do you know?

Mr. SPRECKELS. I do not know, but I imagine so, because I do not think any wholesale grocer would buy that large a quantity at one time.

The CHAIRMAN. What is you belief as to his idea in wanting to purchase it all?

Mr. SPRECKELS. I offered it at the same price, and at times 5 and 10 and 15 cents under the prevailing price there to the wholesale grocers, and not one of the wholesale grocers would buy.

The CHAIRMAN. Did they give you any reasons for not doing so?

Mr. SPRECKELS. Not particularly. Their reason was they wanted to make a quarter of a cent per pound.

The CHAIRMAN. They wanted a quarter of a cent under the market?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And you offered it from 10 to 15 cents under the market?

Mr. SPRECKELS. That is right. Their idea was—they said we might be there only spasmodically, and if they bought from us at that time, later on they might be punished by the combine for having bought our sugars.

The CHAIRMAN. And therefore they wanted a material inducement?

Mr. SPRECKELS. And therefore they wanted an inducement so as to offset any possible losses that might occur through their buying it.

The CHAIRMAN. Did you finally yield to that argument?

Mr. SPRECKELS. I did not.

The CHAIRMAN. How did you dispose of that sugar?

Mr. SPRECKELS. If I may be permitted to go on a little further.

The CHAIRMAN. Yes; just tell us about it in your own way.

Mr. SPRECKELS. I kept dickering with them from time to time, offering the product. I sent to every wholesale grocer on the Pacific coast prices and samples. I was approached again by another wholesale grocer, who told me that he believed that he could dispose of the entire cargo as it was, if I would name him a price. I said "with the entire cargo, I will give it to you 10 cents a hundred under the market." I do not know whether it was 10 or 15 now; I have forgotten.

The CHAIRMAN. It was one or the other?

Mr. SPRECKELS. Yes.

The CHAIRMAN. How long had it been there at that time?

Mr. SPRECKELS. Possibly three weeks. He asked for an option on it for 48 hours. He said "I will tell you frankly, I want to see the people connected with the sugar refineries. I believe they want to buy it. Of course, you will understand I can not use such a large quantity."

The CHAIRMAN. Was he the same gentleman that you just referred to?

Mr. SPRECKELS. No; this man was Samuel Sussman, of the firm of Sussman, Wormser & Co.

The CHAIRMAN. Was this concern that he represented as large a house as the other concern?

Mr. SPRECKELS. No, sir; smaller. But incidentally he happens also to be a director of the Honolulu Plantations Co.

The CHAIRMAN. Did you give him a 48-hour option?

Mr. SPRECKELS. I did. He came back the next day and said that he was not certain whether he could dispose of it or not; that he had had a talk with Mr. John D. Spreckels, my brother, who is the president of the Western Sugar Refining Co., and Mr. Spreckels wanted to know whether I would agree that this would be the only cargo we would send to the Pacific coast. My answer was that I certainly would not agree to any such thing, and in fact I was surprised that such a question should be put to me, as he certainly must know that that was against the law.

The CHAIRMAN. What happened then?

Mr. SPRECKELS. We finally did dispose of the product—lowered our price and sold it to the retailers.

The CHAIRMAN. You sold it to the retail grocers?

Mr. SPRECKELS. Yes.

The CHAIRMAN. In San Francisco?

Mr. SPRECKELS. I opened a store, advertised it, and sent circulars to every retail store in San Francisco and every bakery and sold it by the single sack.

The CHAIRMAN. Now, before you did that, had you exhausted the ordinary channels of distribution in your effort to dispose of it?

Mr. SPRECKELS. I did. I made the best effort I could, and found myself unable to dispose of it after being there for a month.

The CHAIRMAN. After you finally retailed it in this way; you got rid of it?

Mr. SPRECKELS. I sold it in that way until finally some of the jobbers bought it in wholesale lots, because it was interfering with their

business, and they were compelled to take it, because they had customers whom they had to supply.

The CHAIRMAN. Disposing of it in the way you did, and with the delay and all, did you lose or profit by that venture?

Mr. SPRECKELS. I lost money.

The CHAIRMAN. Would you mind telling us how much you lost, in round numbers?

Mr. SPRECKELS. Well, I saw a statement made by Mr. John D. Spreckels that he knew as a fact it was $75,000. I believe it was more. I think it was possibly $77,000. But it is enough for your purpose that we lost money.

The CHAIRMAN. If you could have handled it through the ordinary channels of distribution, unhampered by anybody, if the wholesalers had handled it, would it have been a fairly profitable venture for you?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. In other words, it would have paid you if there had been no interference with the ordinary channels of distribution?

Mr. SPRECKELS. Yes, sir; there was no animosity on my part in sending the cargo out there. We simply went to the highest market.

The CHAIRMAN. It was 60 or 70 points higher there than the New York market. What ought the cost of transportation to have been?

Mr. SPRECKELS. About $7 a ton.

The CHAIRMAN. That is, 70 cents?

Mr. SPRECKELS. I do not recall just the figures. That would be 35 cents a hundred pounds. But I figured it out that it would net us a profit more than we could get in the East.

The CHAIRMAN. If you could have disposed of it in the open market?

Mr. SPRECKELS. Yes: when we sold it to the retail dealers they kept reducing their price until they finally got it down to 4.70 as against 5.60; in other words, a reduction of over 90 points.

The CHAIRMAN. While that sugar was being sold in that way, did it break the San Francisco price very much?

Mr. SPRECKELS. They say it takes but a small hole to sink a big ship, and I guess that is what it did.

The CHAIRMAN. How long did it take you to dispose of it in the manner you did?

Mr. SPRECKELS. Three months.

The CHAIRMAN. The consumers out there must have gotten some benefit from that transaction while it was going on.

Mr. SPRECKELS. To the extent of about 90 cents a hundred.

The CHAIRMAN. Mr. Spreckels, that was one matter which I omitted in my examination Saturday, and now Judge Malby has some questions to ask you.

Mr. MALBY. Mr. Spreckels, will you tell the committee how old you are?

Mr. SPRECKELS. Fifty-three.

Mr. MALBY. I think you have stated that your father was the owner of some three refineries at one time in California?

Mr. SPRECKELS. No; I made no such statement. The owner of three refineries?

Mr. MALBY. What were the refineries which were sold out to the company in which your brother is now interested?

Mr. SPRECKELS. It was not sold out. It is the California Sugar Refinery, which was leased to the Western Sugar Refining Co.

Mr. MALBY. Well, the California Sugar Refining Co. was the one in which your father was interested?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. Did that company have more than one refinery, or just one?

Mr. SPRECKELS. Only one.

Mr. MALBY. I had the impression that you testified on your direct examination that they purchased three refineries and closed two and kept one going. To what did that refer, if I am correct about that?

Mr. SPRECKELS. I stated that the Western Sugar Refining Co. was incorporated for the purpose of leasing the California refinery and the American Sugar Refining Co. of California.

Mr. MALBY. Were those the two companies in which your father was interested?

Mr. SPRECKELS. He was interested only in the California refinery. The American Sugar Refining Co. of California was owned by the American Sugar Refining Co.

Mr. MALBY. Now, the Western Sugar Refining Co.——

Mr. SPRECKELS (interposing). That is a holding company.

Mr. MALBY. That is the name of it, is it—the Western Sugar Refining Co.?

Mr. SPRECKELS. Yes.

Mr. MALBY. They acquired how many sugar refineries, by lease or purchase?

Mr. SPRECKELS. Two.

Mr. MALBY. And do you remember what the output of those two refineries was at the time they were leased?

Mr. SPRECKELS. The American, I believe, was between 500,000 and 600,000 pounds capacity and the California about a million and a quarter.

Mr. MALBY. Do you know what the output is at the present time?

Mr. SPRECKELS. The American plant, which was put in by the American Sugar Refining Co., was burned or destroyed by the last earthquake. It was never operated. It has never been operated from the time of making that lease.

Mr. MALBY. What is the output now, as compared with what it was before?

Mr. SPRECKELS. Practically the same.

Mr. MALBY. Practically the same?

Mr. SPRECKELS. Practically the same.

Mr. MALBY. So that by the leasing of these various refining companies the output, so far as you are advised, has not been decreased materially?

Mr. SPRECKELS. It might possibly have been decreased a little bit. I think it has been.

The CHAIRMAN. Do you mean that the Western——

Mr. SPRECKELS (interposing). It does not run to its full capacity.

The CHAIRMAN. If it ran to its full capacity would it make as much as these other two would have made if they had been run?

Mr. SPRECKELS. No, sir.

The CHAIRMAN. You mean they ran the California to full capacity?

Mr. SPRECKELS. Yes; and closed the other.

Mr. MALBY. My recollection about the testimony thus far, so far as the actual output is concerned, the present output is substantially what it was before, and that is the inquiry I was making, not directing my question as to the capacity of the refineries, but as to whether the present output was substantially what it was before.

Mr. SPRECKELS. No, sir. I think the output prior to the making of that lease was greater than it is to-day.

Mr. MALBY. Did your father retain any interest whatever in the refinery which he leased? Was there any interest he retained in it in any way?

Mr. SPRECKELS. Yes; he retained his stockholdings in the California refinery, which in turn held stock in the Western.

Mr. MALBY. In other words, he leased his property and went in with the Western Sugar Refining Co.?

Mr. SPRECKELS. The California Sugar Refining Co. held 50 per cent of the Western. The Western leased the California.

Mr. MALBY. So that he owned half of the stock of the Western Sugar Refining Co.?

Mr. SPRECKELS. Finally he reduced his holdings in the entire thing one-half, as every other stockholder had to do.

Mr. MALBY. I understood you to say your father is dead; is that correct?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. When did he die?

Mr. SPRECKELS. In 1907.

Mr. MALBY. Is the stock in the Western Sugar Refining Co. still held by the estate?

Mr. SPRECKELS. No, sir. It is still held by the California Sugar Refinery.

Mr. MALBY. By the California Sugar Refinery?

Mr. SPRECKELS. The stockholders of which are John D. and Adolph B. Spreckels.

Mr. MALBY. Your two brothers?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. Did you have any interest in that stock?

Mr. SPRECKELS. I did; yes, sir, years ago. I sold my interest years ago.

Mr. MALBY. At the time of your father's decease you had no interest in any California company?

Mr. SPRECKELS. None whatever.

Mr. MALBY. Now, in relation to the Philadelphia refinery, when was that constructed?

Mr. SPRECKELS. I would like to make an explanation about a statement I made in connection with that matter, having refreshed my memory.

Mr. MALBY. Well, all right.

Mr. SPRECKELS. I stated on Saturday that I learned that the property went to the Havemeyers and Searles by wanting me to issue the stock to them. That is not the fact. The stock was issued to me as trustee, but I delivered each their proportion of the stock, and each paid his check and gave his note for the balance, individually, for that proportion.

Mr. MALBY. Do you mean to say the stock was transferred to you as trustee?

Mr. SPRECKELS. As trustee.

Mr. MALBY. And then did you transfer it to Havemeyer and Searles?

Mr. SPRECKELS. I delivered the stock to them.

Mr. MALBY. You understand what I mean. Was the stock delivered to them in blank? Did you indorse the stock over to them?

Mr. SPRECKELS. I indorsed the stock over to them "C. A. Spreckels, trustee."

Mr. MALBY. Share and share alike, half and half?

Mr. SPRECKELS. No, sir; my recollection is that each of the Havemeyers had 37½ per cent and Mr. Searles had 25 per cent. He had a lesser interest than the others.

Mr. MALBY. Was that the way is was divided by your certificate of stock to them?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. Their separate names were included in the stock certificate when you signed it?

Mr. SPRECKELS. Their names never appeared.

Mr. MALBY. Now, that is just what I am trying to get at, whether you delivered them the stock in blank—you understand what that is—or whether it was actually made out to them separately.

Mr. SPRECKELS. No, sir; it was made out to me as trustee.

Mr. MALBY. I am talking about your transfer to them.

Mr. SPRECKELS. I indorsed it in blank.

Mr. MALBY. So that as to whether the title ever was in them, of course you do not know.

Mr. SPRECKELS. I do know they paid for it, and I know they would not——

Mr. MALBY (interposing). You do know you got the money from them.

Mr. SPRECKELS. And also their individual notes for the balance, as it became due. I do not think they would have given their individual notes or paid for something that belonged to the American Sugar Refining Co. If so, it would have been the first instance.

Mr. MALBY. Of course, we will try to get at just what the facts are, Mr. Spreckels, as we go along, and, of course, the committee will have their idea about them, I feel quite sure. Now, when was this refinery opened by your father for business?

Mr. SPRECKELS. I think it was the latter part of November or the first of December, 1889, or thereabouts.

Mr. MALBY. And what was its capacity?

Mr. SPRECKELS. Two and one-half million pounds per day.

Mr. MALBY. Do you remember what it had cost?

Mr. SPRECKELS. Yes, sir; I do.

Mr. MALBY. How much had it cost?

Mr. SPRECKELS. The plant proper cost, I think, about $4,500,000, or thereabouts.

Mr. MALBY. And how much was it you sold it for?

Mr. SPRECKELS. It was paid-up stock, however, and the capitalization of the company was five million of stock. The balance represented cash in the business. It was fully paid up—$5,000,000.

Mr. MALBY. Well, what did you get for it when you sold it?

Mr. SPRECKELS. Par.

Mr. MALBY. Five million dollars?

Mr. SPRECKELS. Five million dollars for that proportion which was sold; that is, 45 per cent, which figures about $2,225,000.

Mr. MALBY. That is, you sold 45 per cent of it, and received 45 per cent of $5,000,000—$2,225,000?

Mr. SPRECKELS. Yes, sir; or whatever that figures.

Mr. MALBY. What became of the other 55 per cent?

Mr. SPRECKELS. It was retained by my father.

Mr. MALBY. You say that was in 1889, as you recall it?

Mr. SPRECKELS. Yes.

Mr. MALBY. And did he still retain the interest in the refinery up until the time of his death?

Mr. SPRECKELS. No, sir; he sold out the balance in 1892.

Mr. MALBY. To whom did he sell it?

Mr. SPRECKELS. To the American Sugar Refining Co.

Mr. MALBY. And what price did he get? He had $2,750,000 left.

Mr. SPRECKELS. He got double that amount in shares of the American Sugar Refining Co., divided half preferred and half common.

Mr. MALBY. So he got twice that for it, preferred and common in equal parts?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. What became of the stock which you sold to the Havemeyers and Searles?

Mr. SPRECKELS. It was sold to the American Sugar Refining Co.

Mr. MALBY. So that the American Sugar Refining Co. at the present date owns all the stock of the Philadelphia Sugar Refining Co.?

Mr. SPRECKELS. Yes, sir; so far as I know, unless they have parted with it since.

Mr. MALBY. Do you know at what price Havemeyer and Searles sold the stock to the American Sugar Refining Co.?

Mr. SPRECKELS. I do.

Mr. MALBY. What price?

Mr. SPRECKELS. The same price as my father.

Mr. MALBY. That is, two for one?

Mr. SPRECKELS. Two for one.

Mr. MALBY. Half preferred and half common stock?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. Who was the manager of the Philadelphia Sugar Refining Co. during the time your father owned it or managed it?

Mr. SPRECKELS. I was.

Mr. MALBY. It was opened in 1889 and closed in 1892, about three years, if I get it correctly?

Mr. SPRECKELS. Yes; about two years and a half.

Mr. MALBY. Were you the active manager during all that period of time?

Mr. SPRECKELS. I was, up to within about three months of the final sale.

Mr. MALBY. It was then that you had some conversation with Mr. Searles with reference to selling stock of the company to him or to his associates, which finally led to a conversation between your father and them with reference to a sale of the stock of the refinery?

Mr. SPRECKELS. That is, originally.

Mr. MALBY. How long had you been in operation before you experienced any of the difficulties to which you have referred?

Mr. SPRECKELS. I suppose a few days.

Mr. MALBY. What was the nature of them?

Mr. SPRECKELS. The breaking of machinery.

Mr. MALBY. What machinery, if you remember?

Mr. SPRECKELS. Elevators, conveyors.

Mr. MALBY. Did you personally make any examination to ascertain what caused the breaking of the elevators?

Mr. SPRECKELS. I did.

Mr. MALBY. What did you discover to be the cause?

Mr. SPRECKELS. It was a conveyor which conveyed the sugar—all the products—to the upper story of the building, where it had to be dried, and there was a beam which was inclosed, about, say, 2 feet wide, and it was opened during the night and a beam, probably 6 by 6 and 10 feet long, packed into the elevator to break all the chains, which forced the closing of the house.

Mr. MALBY. Do you know what caused the breaking or the displacement of the beam?

Mr. SPRECKELS. This beam which was put in? I do.

Mr. MALBY. If I understand you correctly, there was a beam running alongside the elevator.

Mr. SPRECKELS. No, sir; the elevator was inclosed.

Mr. MALBY. The elevator was inclosed?

Mr. SPRECKELS. Yes; and of steel.

Mr. MALBY. Where was this beam? Was that a part of the construction of the building or anything of the kind?

Mr. SPRECKELS. No, sir; it was taken, evidently, out of the yard. I do not know where it came from, but it had no place whatever in the building.

Mr. MALBY. Of course, the mill was running that night?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. Did you have anybody in charge as watchman of the building?

Mr. SPRECKELS. We had quite a number of them.

Mr. MALBY. Were those employees able to give you any information as to how the beam came to be in the elevator?

Mr. SPRECKELS. No; they were not present at the time.

Mr. MALBY. Did you make any investigation for the purpose of ascertaining?

Mr. SPRECKELS. We did our best to try to find out, but were unable to find them.

Mr. MALBY. Did anybody give you any light on the subject?

Mr. SPRECKELS. None, whatever.

Mr. MALBY. Where did your employees come from who were on duty that night?

Mr. SPRECKELS. That particular night? I do not recall who was on duty that particular night.

Mr. MALBY. Well, do you know where you had secured your employees?

Mr. SPRECKELS. We got them from everywhere.

Mr. MALBY. Do you remember you had employed anyone who had been previously in the employ of the American Sugar Refining Co.?

Mr. SPRECKELS. Yes; quite a number of them. They shift from place to place.

Mr. MALBY. Of course, this is quite a serious charge you make, Mr. Spreckels, and the committee, I know, is somewhat anxious to obtain every detail you have with reference to it. Did you ever charge the American Sugar Refining Co. that they had caused this disaster in any way?

Mr. SPRECKELS. No, sir; I have not made any charge at all. I state the facts and my belief, and I do believe they were instrumental.

Mr. MALBY. No; pardon me. I do not want any belief about it. I want the facts. A charge so serious should be——

Mr. SPRECKELS (interposing). All right; go ahead. Perhaps we will get to them.

Mr. MALBY. I simply want information as to the facts, and the committee will try to draw their own conclusions. Were any men discharged after that performance?

Mr. SPRECKELS. Everybody connected with that department was discharged at that time.

Mr. MALBY. Everyone was discharged?

Mr. SPRECKELS. Yes, sir. Everyone who possibly had had anything to do with that department was dismissed.

Mr. MALBY. Now, what other difficulties did you have?

Mr. SPRECKELS. The other difficulties were in the granulation of the sugar and the drying of it. The drying is done at certain temperatures. Sugars were dried and steamed and burned.

Mr. MALBY. They were not properly dried, or were they overdried?

Mr. SPRECKELS. They were overdried, overheated, and burned. I recall one instance; my brother passed through and found that the steam had been set up at a higher temperature than was prescribed by their rules.

Mr. MALBY. Was that also in the Philadelphia refinery?

Mr. SPRECKELS. It was.

Mr. MALBY. And the refinery complete from top to bottom was in charge of your own employees—men whom you had employed yourself?

Mr. SPRECKELS. The superintendent employed them.

Mr. MALBY. Were there any strangers present in the mill during that time that you know of or ever ascertained?

Mr. SPRECKELS. Not this particular instance, but we will come to it later on if you will allow me to continue this story. If you are anxious to get the facts, I will give you the facts and how they burned the sugar.

Mr. MALBY. I think we will get at the facts if you will answer my question.

Mr. SPRECKELS. I do not want to branch off from one matter to the other.

Mr. MALBY. I asked you what the next occurrence was, and you have told me about the burning of the sugar.

Mr. SPRECKELS. But I am not through with that.

Mr. MALBY. I will let you explain. We want all the facts.

Mr. SPRECKELS. That is what I am trying to give you.

Mr. MALBY. What I asked you was whether anybody was in the mill or around the mill, so far as you know, at that time except your own employees.

Mr. SPRECKELS. I do not know. There may have been somebody in hiding; I do not know.

Mr. MALBY. I am not asking you what may have been. Let us confine it to what you know of your personal knowledge. Was there anyone in the mill except your own employees during this time, so far as you know?

Mr. SPRECKELS. No, sir.

Mr. MALBY. Have you been informed, or were you informed at that time, that anybody else was in the mill at that time except your own employees?

Mr. SPRECKELS. No, sir.

Mr. MALBY. Did you at that time make a search or an examination to ascertain who had done this?

Mr. SPRECKELS. Yes, sir; they know who it was. I am trying to tell you who it was.

Mr. MALBY. We will get to that. Did you ascertain at any time who it was who caused the damage?

Mr. SPRECKELS. We did.

Mr. MALBY. Who was it?

Mr. SPRECKELS. I do not recall his name, but the man who had charge of that particular department. Now, if I may be allowed——

Mr. MALBY (interposing). What is it?

Mr. SPRECKELS. If you will allow me to tell you the story, I think you will gain time and understand it more intelligently than through your questions.

Mr. MALBY. I will, in a little while, but I have a few questions I want to ask with reference to it. I want to know, if you can recall, who the man was.

Mr. SPRECKELS. No, sir; I do not recall.

Mr. MALBY. Well, it was one of your own employees?

Mr. SPRECKELS. It was.

Mr. MALBY. What position did he occupy?

Mr. SPRECKELS. He had charge of the granulators.

Mr. MALBY. Was he something more than an ordinary day laborer?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. How long had he been in your employ?

Mr. SPRECKELS. I do not recall.

Mr. MALBY. Do you recall whether he was an old employee, or a recent employee?

Mr. SPRECKELS. Possibly a few months; I do not know.

Mr. MALBY. What became of him?

Mr. SPRECKELS. I did not keep track of him.

Mr. MALBY. Was he discharged?

Mr. SPRECKELS. He was.

Mr. MALBY. Was he prosecuted criminally?

Mr. SPRECKELS. No, sir.

Mr. MALBY. Did you make any effort to prosecute him criminally?

Mr. SPRECKELS. No, sir; we had other duties.

Mr. MALBY. Well, what occurred next?

Mr. SPRECKELS. Well, we have not got down to the facts yet as to what happened.

Mr. MALBY. Well, what else occurred?

Mr. SPRECKELS. If you will allow me to tell my story, I will tell it to you, but if you want to choke me off and say that you do not want the story——

Mr. MALBY (interposing). No; I am not choking you off, but I am very frank to say, Mr. Spreckels——

Mr. SPRECKELS (interposing). As I understand it, you want the facts, and I will give them to you.

Mr. MALBY. I think the statement is an extraordinary one.

Mr. SPRECKELS. Yes, sir; it is, and I repeat the statement, and I will substantiate it by the facts.

Mr. MALBY. I want to keep as close to the facts as possible, and perhaps we will get the most of it.

Mr. SPRECKELS. May I proceed now?

Mr. MALBY. I would rather prefer that you just answer my questions, and then if we do not get it all we will go back to it. Now, is that all there was concerning the burning of the sugar? Have you now told us all about the burning of the sugar?

Mr. SPRECKELS. No; there is a great deal more. I do not recall all the details. I would have to refresh my memory on that.

Mr. MALBY. Well, you have told what you now recall?

Mr. SPRECKELS. Yes; I have told what I recall. We had the same trouble with the damaging of the sugar; sweepings were put in.

Mr. MALBY. I am going to ask you what other damage was done to the sugar, or to the mill, at any time, and if any damage was done, when it was done, and what it was.

Mr. SPRECKELS. There were many complaints of rubbish being placed in the barrels.

Mr. MALBY. You say there was complaint about rubbish being placed in the barrels?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. I want to know from you, Mr. Spreckels, whether you are aware of the fact that rubbish was placed in the barrels, of your own knowledge?

Mr. SPRECKELS. I did not see them place it in the barrels.

Mr. MALBY. Did you see any rubbish in the barrels?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. Of what did it consist?

Mr. SPRECKELS. Floor scrapings and other things; I know of hearsay, from people who saw it.

Mr. MALBY. Well, I think we will not inquire about that, Mr. Spreckels.

Mr. SPRECKELS. But those people are dead, and I can not bring those people to life again.

Mr. MALBY. Anything you saw or know personally I would be very glad to receive. Did you observe the floor sweepings in the sugar on more than one occasion?

Mr. SPRECKELS. I do not recall how many occasions.

Mr. MALBY. More than one occasion?

Mr. SPRECKELS. I do not recall.

Mr. MALBY. Was there any complaint made by the United States Government about that time that you were manufacturing and selling sugar not of the required standard?

Mr. SPRECKELS. No, sir.

Mr. MALBY. Was there such complaint at any time during the time the Philadelphia plant was run?

Mr. SPRECKELS. I do not think we had any pure-food law at that time, to my recollection.

Mr. MALBY. Well, was there any complaint made by the Government at any time with reference to the fact that your sugar was adulterated?

Mr. SPRECKELS. No, sir; never. We never adulterated it.

Mr. MALBY. I did not ask you whether you did or not. I am asking you whether there was any complaint made at any time by the Government.

Mr. SPRECKELS. No, sir; there never was any complaint; nor did we ever do it.

Mr. MALBY. Now what else did you discover?

Mr. SPRECKELS. Another case, I recall; I was at the factory when I discovered that many of the barrels appeared light, the weights on them appeared light. The man in charge of the weighing department, I called him to account and asked him whether that was right, and he said yes; he took particular notice of it and he was looking after it, but he believed there were one or two of the weighers he was suspicious of, and he knew that I was suspicious, and I asked him to bring those barrels back to find out what they weighed, and they weighed all the way from 20 to 30 pounds light. In other words, if we sold a barrel of sugar of the weight marked, we would have lost 20 or 30 pounds per barrel.

Mr. MALBY. You say they were marked light?

Mr. SPRECKELS. Yes, sir; if the barrel should have weighed 350 pounds, it was marked as 320; a barrel of 340 pounds was marked 310 or 315 pounds. We could not identify who did the weighing, but I went back and had the barrels all remarked and reweighed and the weights pasted on, and told this man to be very careful and look after his men and watch them as to who was weighing light. My own suspicions were against the man who tried to lead me to suspect the other men, and I stood back without his observing me and noticed the barrels that he weighed. All this happened within 10 minutes. I pretended to walk away from there, but instead I walked back and walked behind a post, and observed what he was doing. Then I went up and recalled all his barrels, and found that every one else's barrels were weighed correct, and his barrels were 20 or 30 pounds out of the way. I asked for an explanation, and he said, "I can not make any," and I dismissed him right then and there.

Mr. MALBY. Were they all weighing on the same scales?

Mr. SPRECKELS. No, sir; they were all weighing on different scales.

Mr. MALBY. Do you mean to say he was giving lighter weights than the scales indicated?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. You mean to say the scales were correct, but he was weighing them incorrectly?

Mr. SPRECKELS. He was giving incorrect weights, and purposely marking them incorrectly.

Mr. MALBY. Where did this fellow come from?

Mr. SPRECKELS. I do not know.

Mr. MALBY. Do you know where he was hired from?

Mr. SPRECKELS. No.

Mr. MALBY. Could you tell us how long he had been in your employ?

Mr. SPRECKELS. I could not tell you.
Mr. MALBY. Was he discharged?
Mr. SPRECKELS. He was discharged right then and there.
Mr. MALBY. Did you institute any criminal prosecution against him?
Mr. SPRECKELS. No.
Mr. MALBY. Or attempt to?
Mr. SPRECKELS. No, sir; it was not worth while.
Mr. MALBY. Well, what else occurred?
Mr. SPRECKELS. Well, I think that is about enough. That is all I can recall at the moment.
Mr. MALBY. Well, it is enough for the committee, if that is all.
Mr. RAKER. Mr. Malby, will you ask him why he did not prosecute him. He says "It was not worth while," and I do not know what he means by that.
Mr. SPRECKELS. If we had had to prosecute everybody who did a wrong we would have engaged every lawyer in the country, and it would have cost us more than we could have recouped. Twenty pounds of sugar would represent a dollar.
Mr. RAKER. But there is a Government prosecutor.
Mr. SPRECKELS. You mean prosecute him criminally?
Mr. RAKER. Yes.
Mr. SPRECKELS. I suppose it was an error of judgment that we did not do it. That is possible.
Mr. RAKER. I just wanted to know why you did not.
Mr. SPRECKELS. We had other duties to perform. I had other business to look after. I could not be around the police courts.
Mr. MALBY. Now, after you ceased to be the manager of the Philadelphia company, what did you then go to doing?
Mr. SPRECKELS. I took a vacation.
Mr. MALBY. Was that the time you went to Europe?
Mr. SPRECKELS. Yes, sir; shortly after that I went to Europe.
Mr. MALBY. When did you next engage in the sugar business?
Mr. SPRECKELS. About 1894, I think it was.
Mr. MALBY. What was the nature of that business?
Mr. SPRECKELS. The raising of sugar cane in Hawaii.
Mr. MALBY. I think you stated you purchased some property there?
Mr. SPRECKELS. Yes, sir.
Mr. MALBY. Whose property did you purchase?
Mr. SPRECKELS. It belonged to my father and my brothers. My brother had the management of it and could not succeed in making it pay. It was a losing proposition.
Mr. MALBY. I do not care whether it was paying or not. You bought the property from your father and brothers?
Mr. SPRECKELS. Yes, sir.
Mr. MALBY. What is your brothers' name?
Mr. SPRECKELS. John D. and Adolph B.
Mr. MALBY. Both of your brothers were interested in the property?
Mr. SPRECKELS. They were.
Mr. MALBY. Was it property held by a company?
Mr. SPRECKELS. By the Hawaiian Commercial & Sugar Co.

Mr. MALBY. They were the owners of a majority or all the stock of that company, were they?

Mr. SPRECKELS. All, with the exception of a few shares. They owned the stocks and the bonds.

Mr. MALBY. And did you buy the stock from them?

Mr. SPRECKELS. I did, and also the bonds. Foreclosure proceedings had been brought on the bonds.

Mr. MALBY. How much was it capitalized for?

Mr. SPRECKELS. $10,000,000.

Mr. MALBY. And you paid, I think you said, $10 a share?

Mr. SPRECKELS. No; I think it figured 10 cents a share; practically nothing.

Mr. MALBY. I think your testimony was that you paid 10 cents or $10 a share.

Mr. SPRECKELS. It would figure out that way, because I bought the bonds and the stock was thrown in.

Mr. MALBY. What was the amount of the bonds?

Mr. SPRECKELS. I think $1,100,000.

Mr. MALBY. $1,100,000 in bonds?

Mr. SPRECKELS. That is my recollection; about that.

Mr. MALBY. And you assumed and agreed to pay the bonded indebtedness, and they turned over to you their stock in the company?

Mr. SPRECKELS. Yes, sir; I bought the bonds in order to stop the foreclosure proceedings.

Mr. MALBY. And there were about 40,000 acres, as I understood?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. What year was it that you purchased the property?

Mr. SPRECKELS. I think in 1893 or 1894.

Mr. MALBY. Well, can you not be specific? Are you sure it was not 1892?

Mr. SPRECKELS. I can give you the absolute date, if you will allow me to look it up. I will furnish you the date.

Mr. MALBY. I would be pleased to have you give us the exact date, but can you not give it to us now, approximately?

Mr. SPRECKELS. If it is important that I should give it now, I would say 1893.

Mr. MALBY. That was the time when the McKinley law was in force, was it not?

Mr. SPRECKELS. Yes, sir; I believe so.

Mr. MALBY. In other words, sugar was being admitted into the United States free of duty?

Mr. SPRECKELS. Some time during that period. I do not know whether it was 1893 or 1894.

Mr. MALBY. But it was during that time?

Mr. SPRECKELS. It was during that time; yes, sir.

Mr. MALBY. Now, while sugar was being admitted free into the United States, the United States Government was paying a royalty of 2 cents a pound for sugar raised within the territory of the United States, was it not?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. But that did not apply to Hawaiian sugar?

Mr. SPRECKELS. Hawaii was a monarchy at that time.

Mr. MALBY. So that the sugar plantations, whether this plantation or others, in Hawaii at that time were not run in a very scientific manner, were they?

Mr. SPRECKELS. No, sir; not as of to-day.

Mr. MALBY. In other words, there was very little attempt made on the part of the Hawaiian planters to improve conditions so long as the McKinley free-trade bill obtained?

Mr. SPRECKELS. No; so long as the tariff prevailed—remained as it was—and they had reciprocity, and got the benefit of the tariff there were no inducements to make any improvements. They were making money enough.

Mr. MALBY. No improvements were made during that period, and very little sugar was produced?

Mr. SPRECKELS. Quite considerable sugar was produced.

Mr. MALBY. The whole amount, as I gather from the testimony, at that time was only about 100,000 tons?

Mr. SPRECKELS. About that. A quarter of to-day's production.

Mr. MALBY. Less than a quarter of to-day's production?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. To-day they now manufacture something over 500,000 tons.

Mr. SPRECKELS. About 500,000 tons.

Mr. MALBY. Now, immediately after the tariff was put on and the premium abolished, the sugar interests in Hawaii began to look up, began to improve, did they not?

Mr. SPRECKELS. After they got the benefit of the tariff?

Mr. MALBY. Yes.

Mr. SPRECKELS. No; I think it improved constantly from year to year, and I think the records will show that, tariff or no tariff.

Mr. MALBY. You say you bought the property in 1893 for the price of the bonds. Now, the next year, 1894, there was a change in the tariff by which there was a tariff put on raw and refined sugar, which, however, let in the product of Hawaii free, did it not?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. Now, from the time Hawaiian sugar was admitted free, the production has very greatly increased from year to year, up to the present time, has it not?

Mr. SPRECKELS. Constantly, tariff or no tariff. The impetus given it more particularly was the abolition of the tariff.

Mr. MALBY. We have always had a tariff since that time?

Mr. SPRECKELS. They did not get the benefit of it. We had no tariff under the McKinley bill. We had a bounty, but no tariff.

Mr. MALBY. The bounty did not apply to the Hawaiian production.

Mr. SPRECKELS. No, sir.

Mr. MALBY. So you got no benefit from the bounty?

Mr. SPRECKELS. No, sir.

Mr. MALBY. Then, what is the particular use of referring to that matter, so long as it does not refer to the Hawaiian planters?

Mr. SPRECKELS. I understood you to say we had always had a tariff.

Mr. MALBY. You have had a tariff, so far as the American production was concerned, since 1894. Now, what year was it when you sold out your interests in Hawaii?

Mr. SPRECKELS. I think it was in 1898.
Mr. MALBY. Had you improved the plantation during that time?
Mr. SPRECKELS. Very materially.
Mr. MALBY. Had you declared any dividends during that period?
Mr. SPRECKELS. No; my policy was to put the money back into improvements, rather than the declaration of dividends.
Mr. MALBY. Well, that is entirely proper. So that you purchased the property in what year?
Mr. SPRECKELS. About 1893.
Mr. MALBY. And you sold out in 1898, you think it was?
Mr. SPRECKELS. 1897, I think it was.
Mr. MALBY. You held it four or five seasons?
Mr. SPRECKELS. Yes, sir.
Mr. MALBY. And put back into the company whatever your income has been?
Mr. SPRECKELS. Yes, sir.
Mr. MALBY. And you also put back something more?
Mr. SPRECKELS. No; I put back nothing more.
Mr. MALBY. Did you put back any money?
Mr. SPRECKELS. No; we levied no assessment on the stock.
Mr. MALBY. Was there an assessment levied upon the stock at the time you purchased it, which you had to pay?
Mr. SPRECKELS. There was an assessment levied before I purchased.
Mr. MALBY. Did you have to pay that assessment?
Mr. SPRECKELS. I had to pay on some of it. I was a stockholder.
Mr. MALBY. Well, did you have it to pay on all of it?
Mr. SPRECKELS. No, sir.
Mr. MALBY. Did you have it to pay on the shares you purchased from your father and your brothers?
Mr. SPRECKELS. No, sir.
Mr. MALBY. What was the amount of that assessment?
Mr. SPRECKELS. The stock was sold out.
Mr. MALBY. What was the amount of that assessment; was it $5 a share?
Mr. SPRECKELS. I think it was.
Mr. MALBY. Now, how many shares did you have; how many were there in the company?
Mr. SPRECKELS. One hundred thousand shares. I am not certain whether it was $5 or $10 a share, the assessment which was levied and all the stockholders let their stock go for the asssesment.
Mr. MALBY. When was it levied?
Mr. SPRECKELS. I can not furnish you now the actual date.
Mr. MALBY. About when, according to your best recollection?
Mr. SPRECKELS. My best recollection, about three months before I bought it.
Mr. MALBY. Now, you purchased it with that assessment on, did you not; the assessment had not been paid at the time you purchased it?
Mr. SPRECKELS. The assessment had been paid on part of the stock.
Mr. MALBY. How much?
Mr. SPRECKELS. On my father's stock, my brothers' stock, and my own stock.
Mr. MALBY. Had that all been paid?

Mr. SPRECKELS. That had all been paid. I think there were only 1,000 shares, or something like that, in the entire company on which the assessments had been paid, which made about $5,000 collected on the assessment.

Mr. MALBY. Now, let me get that clearly. Did you say there were 1,000 shares upon which it had been paid or that it had all been paid except 1,000 shares?

Mr. SPRECKELS. Ninety-nine thousand shares or thereabout had defaulted in the payment, and it was sold out for the assessment and reverted to the company, and it was in the treasury of the company.

Mr. MALBY. So there were only about 1,000 shares that really paid anything?

Mr. SPRECKELS. That is all.

Mr. MALBY. And you did not have to pay anything on account of this assessment when you purchased the stock?

Mr. SPRECKELS. No, sir.

Mr. MALBY. When you purchased it you did not have it to pay?

Mr. SPRECKELS. No, sir; we never levied another assessment after that.

Mr. MALBY. Now, do you remember what you sold the plant for when you did sell it?

Mr. SPRECKELS. I sold out my stock, approximately, for an average of about $40 a share—$40 to $45 a share.

Mr. MALBY. Was the stock a listed stock?

Mr. SPRECKELS. It was.

Mr. MALBY. And you sold it out on the market?

Mr. SPRECKELS. After I took charge of it I declared a stock dividend.

Mr. MALBY. Where was it listed?

Mr. SPRECKELS. In San Francisco and also in New York, on the stock exchange.

Mr. MALBY. And you sold your stock from time to time on the market?

Mr. SPRECKELS. I did.

Mr. MALBY. And that is the way you got rid of your holdings in the company?

Mr. SPRECKELS. That is the way.

Mr. MALBY. And in that manner you realized the profit to which you have referred?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. Is the company in operation now?

Mr. SPRECKELS. It is.

Mr. MALBY. Who is the general manager of the company now?

Mr. SPRECKELS. I happen to have a report of the company here and I think I can tell you in a minute. The president is Hon. H. P. Baldwin.

Mr. MALBY. Of San Francisco?

Mr. SPRECKELS. No, sir; of Honolulu. The manager is F. F. Baldwin. The agents are Alexander & Baldwin (Limited), Honolulu, San Francisco, Seattle, and New York. This is the report of 1910.

Mr. MALBY. I see here that the capital stock is $2,312,755. Do you know whether it has been increased or decreased since you bought or sold?

Mr. SPRECKELS. May I look at that?

Mr. MALBY. Yes (handing paper to witness).

Mr. SPRECKELS. I think there must be some error in that. I do not know how they have got it, but it was $10,000,000 at the time I had it.

Mr. MALBY. Will you not make a little memorandum of that, and state to the committee in a communication addressed to the chairman what you ascertain about the stock at the time you bought or sold?

Mr. SPRECKELS. I know what it was then. It was $10,000,000 when I sold.

Mr. MALBY. And when the reduction took place, if any, and regard that as a part of your testimony as now given here.

Mr. SPRECKELS. I believe it is a mistake.

Mr. MALBY. After you had closed out your holdings in Hawaii, what was you next sugar venture?

Mr. SPRECKELS. The Federal Sugar Refining Co. at Yonkers, the one I am engaged in now.

Mr. MALBY. When did you start building that?

Mr. SPRECKELS. I think it was 1902 or thereabouts.

Mr. MALBY. Did you start in 1902?

Mr. SPRECKELS. I think so; I think it was 1902.

Mr. MALBY. When did you start operating?

Mr. SPRECKELS. I will have to furnish you those dates; I do not remember the dates.

Mr. MALBY. About how long after you started building was it when you commenced operating it? I want to get approximately the dates. In other words, how long did it take to build the building?

Mr. SPRECKELS. We started to build—we first constructed a smaller plant. We had a small plant in operation in 1902, to get on the market, with a capacity of only 600 or 700 barrels per day. In 1902 we commenced building a larger plant, and completed that in 1904, in August, with a capacity of about 3,000 barrels. From that time on we have been building constantly until now we have reached 7,000 barrels.

Mr. MALBY. What was the original capitalization of your company?

Mr. SPRECKELS. $50,000,000.

Mr. MALBY. The Yonkers Co. was $50,000,000?

Mr. SPRECKELS. I would like to get you straight on that, because we have reorganized several times, changing our capitalization and incorporating from New Jersey over to New York. We had originally two different companies—a holding company—and if you would like to have the data, I think I would like to furnish it. I think I can do that this afternoon.

Mr. MALBY. If you will make a memorandum to give me what the original company was capitalized at, I shall be glad to have that information.

Mr. SPRECKELS. I can tell what it is capitalized at now.

Mr. MALBY. No; I want it from the beginning down to the present time; that is, the preferred and common and bonds, if any were issued, and where organized, to apply to each reorganization under which the company has gone since you first started in.

Have you kept an actual account of your disbursements in the construction of your factory?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. Do you know what amount your books show it has cost?

Mr. SPRECKELS. I do not recall at the moment. Those figures can be furnished.

Mr. MALBY. Approximately, can you tell us?

Mr. SPRECKELS. I should say approximately about $6,000,000 or between $6,000,000 and $7,000,000.

Mr. MALBY. All together up to the present time?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. The original amount put in was how much?

Mr. SPRECKELS. Close on to $4,000,000.

Mr. MALBY. And to that has been added, as an expense account, about $2,000,000. Is that your judgment?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. Since your organization of the company or either of the companies at Yonkers, has the American Sugar Refining Co. attempted to purchase the plant or an interest in it?

Mr. SPRECKELS. I do not know whether they have, but somebody has tried it—indirectly, through a broker.

Mr. MALBY. Have you made any efforts to sell to the American Sugar Refining Co.?

Mr. SPRECKELS. No, sir.

Mr. MALBY. Do you know Mr. Lowell M. Palmer, who is connected with the company?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. Have you had any conversation with him with relation to the sale of your plant to the American Sugar Refining Co.?

Mr. SPRECKELS. No, sir; never.

Mr. MALBY. You never made an offer to sell your stock or any portion of it?

Mr. SPRECKELS. No, sir.

Mr. MALBY. I suppose the stock is upon the market, a listed stock?

Mr. SPRECKELS. It is.

Mr. MALBY. And anyone could purchase it upon the market if they saw fit?

Mr. SPRECKELS. They can.

Mr. MALBY. Do you know what it is selling for or has been selling for during the past week, say?

Mr. SPRECKELS. The only quotation I have seen for, I guess, about a year, was 40 to 41 for the common—that is the only quotation—and about 93½ for the preferred. You might call it an inactive stock. There is very little sold.

Mr. MALBY. I see you have referred to a cargo of sugar which you took to San Francisco.

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. To call your attention to the matter, I think you stated you finally disposed of it at about 70 points less than the New York market at the time of your arrival in San Francisco?

Mr. SPRECKELS. I do not know what the average was. We finally got down to that point. We started with a price of 5.60 and when they came down to 5.60 we went to 5.50, and when they went to 5.50 we went to 5.40, and when they went to 5.40 we went to 5.30, and so on; but we were selling all the time until we got down to 4.70.

Mr. MALBY. Do you know what the average price was that you realized for it?

Mr. SPRECKELS. I can not tell you at the moment, but there was a loss on the cargo. I am willing to admit that.

Mr. MALBY. You commenced to sell it, I think, about the 6th of October, 1910?

Mr. SPRECKELS. Oh, no; it was before that.

Mr. MALBY. Before the 6th of October?

Mr. SPRECKELS. Yes; we commenced selling, I think, some time in June or July of last year.

Mr. MALBY. When did you finally sell the balance out?

Mr. SPRECKELS. The cargo arrived there last July, and we commenced selling in August.

Mr. MALBY. Can you tell what portion you sold in August, if any?

Mr. SPRECKELS. No, sir.

Mr. MALBY. Was it a large portion or small?

Mr. SPRECKELS. I do not recall.

Mr. MALBY. Can you tell what portion you sold in September?

Mr. SPRECKELS. I can tell by our books.

Mr. MALBY. You can tell by your books?

Mr. SPRECKELS. Certainly.

Mr. MALBY. I wish you would furnish the committee with the amount which you sold in each of the months and the average price realized for it all.

Is it not a fact that the price on the New York market went down considerably during the time you were disposing of it?

Mr. SPRECKELS. Not to the same extent, no, sir. It stood at the same price practically the entire summer, practically the same price. The secretary corrects me on that. During the entire time the cargo was offered for sale, that statement applies.

Mr. MALBY. When did you sell the last of that sugar?

Mr. SPRECKELS. I should say along about September.

Mr. MALBY. Do you think you had it all sold before the 1st of October?

Mr. SPRECKELS. Along in September and possibly the first part of October.

Mr. MALBY. Will you also include in that statement the date of your last sale of that sugar? My information was there was quite a drop in the New York market. I do not know. If so, that would have some effect. Have you made any attempt to purchase raw sugar from the Hawaiian planters, or do you buy from them?

Mr. SPRECKELS. We have been unable to buy a pound from them.

Mr. MALBY. Is that owing to the fact in any particular that they prefer to sell to constant customers?

Mr. SPRECKELS. I was willing to become a constant customer. I have offered to buy the entire crop of the entire island, or such quantity as the Sugar Factors Co. owned or controlled.

Mr. MALBY. I think there is some testimony before us to the effect that the California refiners have a contract existing with the Hawaiian planters covering a period of years.

Mr. SPRECKELS. They have.

Mr. MALBY. Of course, if that be so they could not sell to you on account of that contract.

Mr. SPRECKELS. At the time I was negotiating with them, they had no contract.

Mr. MALBY. When was that?

Mr. SPRECKELS. About five years ago.

Mr. MALBY. And they had no contract at that time?

Mr. SPRECKELS. No, sir. The committee of the Factors Co., which was appointed to come on to New York and negotiate with the refiners in New York for the purchase of their product, came to me and I offered to buy it, and was unable to get one pound.

Mr. MALBY. To whom did they sell it at that time?

Mr. SPRECKELS. Sold it to the American Sugar Refining Co.

Mr. MALBY. Did you offer the same price?

Mr. SPRECKELS. I offered to give them a better price.

Mr. MALBY. A better price than the American Sugar Refining Co. offered?

Mr. SPRECKELS. Yes, sir; I said I would better any price they might offer.

Mr. MALBY. Was the declination to sell based upon any question about your financial standing, or simply because they did not want to sell to you?

Mr. SPRECKELS. No, sir; I volunteered the statement that, in order that there might be no question about the financial standing, I would give any bond from any bank they might designate, and that they would be paid accordingly.

Mr. MALBY. Was that an offer to purchase the entire output?

Mr. SPRECKELS. Or that part of it which they should control.

Mr. MALBY. Was it conditioned that you should receive it all?

Mr. SPRECKELS. No, sir; I was ready to take all or any part of it. Their objection was we could not handle it all. I said, "We will take any part of it, but, for your information, we can handle it all and I will handle it all."

Mr. MALBY. They said they thought you could not handle it all.

Mr. SPRECKELS. In our factory.

Mr. MALBY. Was that the ground which they gave for not selling it to you?

Mr. SPRECKELS. No, sir; on the contrary, they said they would give me an opportunity—that they would come in to see me again and would negotiate, but they never did.

Mr. MALBY. Have you had any relations with them since that time?

Mr. SPRECKELS. Several times I have accosted them on the street. They said, while they were negotiating with the American, that they would come in and see me about it, but they never did.

Mr. MALBY. Have they been negotiating with the American Sugar Refining Co. ever since?

Mr. SPRECKELS. Ever since. They never negotiated with me from that time on.

Mr. MALBY. Have they been selling to the American ever since?

Mr. SPRECKELS. The American and its allied institutions—the California and Hawaiian.

Mr. MALBY. They have been selling to Mr. Arbuckle's firm?

Mr. SPRECKELS. No, sir.

Mr. MALBY. They have been selling to the California Co. and to the American Sugar Refining Co.?

Mr. SPRECKELS. Some of them have sold to the Western and some to the trust, and some to the California and Hawaiian.

Mr. MALBY. What other companies have they sold to, to your knowledge, if any?

Mr. SPRECKELS. None.

Mr. MALBY. Have they sold any to the National?

Mr. SPRECKELS. No, sir; not to my knowledge.

Mr. MALBY. Have they an office in New York for the sale of their sugar, or do they keep an agent here?

Mr. SPRECKELS. I think they have several agents.

Mr. MALBY. Can you name who their agent is?

Mr. SPRECKELS. William Dymond & Co.

Mr. MALBY. What is their address?

Mr. SPRECKELS. Wall Street—I do not recall the number. The directory will show that. Welch & Co., 138 Front Street; and Alexander & Baldwin. I think those are the only three.

Mr. MALBY. I think that is all I care about. At what price do you sell sugar at Yonkers at the present time?

Mr. SPRECKELS. At the present time?

Mr. MALBY. Yes.

Mr. SPRECKELS. 5.30 less 2 per cent, approximately 5.20 or a little less than 5.20.

Mr. MALBY. The 2 per cent is for cash?

Mr. SPRECKELS. Yes; cash discount.

Mr. MALBY. That is the reason why they get a discount of 2 per cent?

Mr. SPRECKELS. Yes, sir; that is the cash discount.

Mr. MALBY. At what price are you selling sugar at Chicago?

Mr. SPRECKELS. We sell at the same price plus the freight, whatever that freight may be.

Mr. MALBY. What is the freight between here and Chicago?

Mr. SPRECKELS. What is that, Mr. Lowry?

Mr. LOWRY. 22½ cents. I have here this freight book which they asked me to produce when they came to New York.

Mr. MALBY. The chairman wants that. That may be handed to him. The freight is how much?

Mr. SPRECKELS. 22½ cents, I am informed.

Mr. MALBY. I think there was some information offered to the effect the freight was 26 cents?

Mr. SPRECKELS. I do not know. I am not familiar with the details of it.

Mr. LOWRY. That is the old rail rate; 24 cents is the all-rail rate from Philadelphia, and 22½ cents is the lake and rail rate.

Mr. MALBY. What I want to know is how you ship your sugar and what discounts you pay for freight. I do not know whether it is all rail or all water, or part rail and part water.

Mr. SPRECKELS. We pay whatever freight rate there is to pay and prepay the freight. Every point has a different freight rate.

Mr. MALBY. I would ask that Mr. Lowry inform you, if he will, what the rates are between Yonkers and Chicago?

Mr. LOWRY. The all-rail rate, Yonkers to Chicago, is 26 cents. The differential rate is 24 cents. The lake and rail rate is 22 cents. Philadelphia is 2 cents less.

Mr. MALBY. That is your recollection about it, is it, Mr. Spreckels?

Mr. SPRECKELS. Approximately; yes, sir. I knew it was in the neighborhood of nearly one-fourth of a cent a pound.

Mr. MALBY. The rate from Philadelphia all rail is 24 cents, is it not?

Mr. SPRECKELS. Yes. They take a rate of 2 cents less than New York.

Mr. MALBY. When you sell your sugar to your consignees in Chicago, you pay 26 cents, do you not?

Mr. SPRECKELS. We do, all rail.

Mr. MALBY. How much do you charge them for freight?

Mr. LOWRY. Twenty-two and one-half cents.

Mr. SPRECKELS. Twenty-two and one-half cents.

Mr. LOWRY. That is the Philadelphia water-and-rail rate, and we have to meet that.

Mr. MALBY. So you absorb the difference between 26 cents and 22½ cents?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. I see by Mr. Lowry's testimony, at page 1567 of our record, that the freight rate from New York to points in Georgia is 32½ cents. At what price are you selling sugar in Georgia in addition to the Yonkers price?

Mr. SPRECKELS. I shall have to ask you to put that question to our salesman. Anything pertaining to the traffic matters I have asked the chairman to have our traffic manager prepare for you. He can give those things better than I can.

Mr. MALBY. I ask the question in view of the fact that you gave to the committee the testimony that some of the western companies were charging as much at home as they were abroad; in other words, they were absorbing the freight rates or certain portions of them. I am trying to find out whether you are doing the same thing or not. With that end in view, I will read Mr. Lowry's testimony, to see if you concur. It reads as follows:

The CHAIRMAN. Do you know what their rate is into Georgia from New Orleans?

Mr. LOWRY. Twenty-four cents Georgia common points.

The CHAIRMAN. You mean the distributing points in Georgia?

Mr. LOWRY. Yes.

The CHAIRMAN. And you had to pay 32½ cents?

Mr. LOWRY. Yes; but we were meeting the 24-cent rate of New Orleans refineries, and we had gotten a very large part of the business away from them, and in order to get it back the New Orleans refiners said, "the Federal has to absorb 6 cents a hundred to get in here, so we will name an arbitrary rate of 18 cents instead of 24 cents to try and drive them out," their idea being, I suppose, that if they once got us driven out they could soon make it up, but they have not driven us out yet.

The CHAIRMAN. So they add to the New York price only 18 cents on their price?

Mr. LOWRY. They add 18 cents to the New Orleans price, which is the same as the New York price.

The CHAIRMAN. Whereas, you are paying 32½ cents freight rate?

Mr. LOWRY. Yes.

In other words, the freight rate from New Orleans to points in Georgia is 18 cents, while from New York it is 32½ cents, yet you were meeting the New Orleans prices, to wit, the difference between 18 and 32½ cents, or 14½ cents. Is that the situation?

Mr. SPRECKELS. If Mr. Lowry said that——

Mr. MALBY (interposing). I have read to you what he said.

Mr. SPRECKELS. I assume those figures are correct?

Mr. MALBY. So that as a matter of fact, when you called the committee's attention to the fact the other day that as to the person buying sugar from the California refineries for delivery in the Missouri Valley, you could not get them to deliver the sugar at San Francisco at a price less than the entire freight, that is not a custom which is exclusively theirs, but is practiced by all the refineries, is it not? Is not that practiced by all the refineries?

Mr. SPRECKELS. No; they pay the freight so far as to absorb the entire freight, don't they?

Mr. MALBY. I do not think they do. I think they pay enough, according to the testimony, so they will be in competition just as you are.

Mr. SPRECKELS. In other words, I maintain the price in California is practically 1 cent a pound in net returns more than they receive on the Missouri River.

Mr. MALBY. I do not know how much it is.

Mr. SPRECKELS. They absorb the freight going and the freight back again, too.

Mr. MALBY. The practice indulged in by the California refineries, in other words, is precisely the same as you indulge in yourself, is it not?

Mr. SPRECKELS. No, I do not think so.

Mr. MALBY. In other words, you absorb the difference in the freight between New Orleans and Georgia and between New York and Georgia, and you absorb the difference in the freight between New York and Chicago and between New York and Philadelphia.

Mr. SPRECKELS. We do not absorb it. We pay the freight.

Mr. MALBY. You absorb the difference between the freight between New York and Philadelphia and the freight between New York and Chicago, to wit, 2 cents?

Mr. SPRECKELS. We do.

Mr. MALBY. And in Georgia, in competing with the New Orleans, you absorb the difference betwen the freight from New York City to Georgia points and from New Orleans to Georgia points?

Mr. SPRECKELS. That is right.

Mr. MALBY. Is not that precisely what they are doing in California refineries and western refineries? What do you think about it?

Mr. SPRECKELS. The difference is this, that we allow the consumer to pay the freight and the Californians do not allow him to pay the freight.

Mr. MALBY. We will take the case where you pay the freight.

Mr. SPRECKELS. We are willing to give you the price and you pay your own freight, but they will not do that.

Mr. MALBY. Do you mean to say this: Supposing I am a merchant doing business at Macon, Ga., where the freight is 32½ cents, that you will deliver that sugar to me at Yonkers at 32½ cents less?

Mr. SPRECKELS. We will let you pay the freight yourself. You pay the 32½ cents.

Mr. MALBY. As a matter of fact, the freight which you deduct is only 18 cents—the freight you are willing to deduct is only 18 cents?

Mr. SPRECKELS. Yes, sir; and we will sell it to you at 32½ cents and let you pay all the freight.

Mr. MALBY. You do not charge your customer but 18½ cents?

Mr. SPRECKELS. We charge them only 18½ cents.

Mr. MALBY. What would you do if the customer asked you to deliver that sugar in that way?

Mr. SPRECKELS. We will give it to them and let them pay the 18 cents freight if they want to.

Mr. MALBY. That is hardly an answer to the question, is it?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. He would have to pay 32½ cents.

Mr. SPRECKELS. Therefore he lets us pay the 18.

Mr. MALBY. He lets you pay the 32½ cents and charge him 18 cents?

Mr. SPRECKELS. That is right, and we charge less, while in the other case they charge him more.

Mr. MALBY. You absorb the difference in freight?

Mr. SPRECKELS. We absorb that.

Mr. MALBY. I am trying to get at the facts. I am not criticising. I think it is a good business proposition, but I am trying to find out whether there is any difference between you and any other firms.

Mr. SPRECKELS. There is, decidedly.

Mr. MALBY. I do not see it.

Mr. SPRECKELS. We are perfectly willing to let you pay all the freight and give it to you at that time. The Californians will not let you do that.

The CHAIRMAN. Permit me to ask a question, Judge Malby.

Mr. MALBY. Certainly.

The CHAIRMAN. Suppose I am a merchant in Georgia. I come to New York and I say, "Mr. Spreckels, I want to buy a carload of sugar to use at Macon, Ga., in my wholesale business. I prefer to do my own routing and pay my own freight." Will you give me the benefit of that differential which you pay, and deliver the freight to me in New York and allow me to ship it to Georgia?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. And absorb that out of the rate here in New York?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. Would you sell sugar to a wholesale dealer in Georgia and give him a reduction of 32½ cents and deliver it to him in Yonkers?

Mr. SPRECKELS. Yes; that is what we are doing now; but why don't you ask the question, "Why don't the Californians do it?" They will not do it.

Mr. MALBY. I think we have the testimony on that point from the Californians.

Mr. SPRECKELS. But that is the distinction. They will not, and we will.

Mr. MALBY. I think there is not very much difference between the parties in that practice, and as to what you would do I am not advised. You say you would do one thing and they would do the other, but in practice you are both doing the same thing.

Mr. SPRECKELS. No, sir; we are not.

Mr. MALBY. Well, I think the testimony shows you are.

Mr. SPRECKELS. I differ with you.

Mr. MALBY. So you would not have any hesitation about selling sugar to a wholesale dealer in Chicago, to be delivered——

Mr. SPRECKELS (interposing). And they pay the freight.

Mr. MALBY. To be delivered at Yonkers?

Mr. SPRECKELS. No, sir; we have no objection to it.

Mr. MALBY. Plus 24 cents?

Mr. SPRECKELS. We have no objection to it.

Mr. MALBY. Or plus 26 cents?

Mr. SPRECKELS. Whatever the amount of the freight may be.

Mr. MALBY. I presume the reason why the California Sugar refining companies make a less rate to the Missouri River points is owing to their competition with the refiners in New Orleans, is it not, where the freight rate is less? In other words, they meet the freight rates from New Orleans?

Mr. SPRECKELS. I am not going to assign any reason for what the other people do.

Mr. MALBY. Is that what they do, whether it be a reason or not?

Mr. SPRECKELS. I do not know what they do, but I presume it is what they do.

Mr. MALBY. That is exactly what you are doing in Georgia, is it not?

Mr SPRECKELS. No, sir.

Mr. MALBY. You are absorbing the difference in freight.

Mr. SPRECKELS. We meet the competition, true. We absorb the freight, but we give the man the privilege of paying his own freight if he wishes to.

Mr. MALBY. I understand what you say about that. I understand in July, for instance—I have a table here which I presume is probably correct—the San Francisco price, taken from Willett & Gray for July 6, 1911, was $5, Kansas City $5.28, freight 55 cents; so that the San Francisco refineries absorb 27 cents, do they not? That, of course, was to meet the difference in freight between the refineries at New Orleans and the refineries at San Francisco.

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. Their practice with respect to that is precisely what your practice is and what you do when you meet the prices of the New Orleans people in Georgia or in the southern part of the country.

Mr. SPRECKELS. The only difference is that I can not buy at 4.73 in San Francisco and pay my own freight. That is the difference. It has to be shipped out. They force you to ship out.

Mr. MALBY. In other words, the San Francisco refineries would not sell to you for $5 less 55 cents and have it delivered in San Francisco?

Mr. SPRECKELS. $5 less than 28 cents?

Mr. MALBY. I mean the whole amount of the freight. In other words, they would not permit you to buy sugar, which was selling on the market for $5——

Mr. SPRECKELS. No, sir; it is selling for 5.28 on the Missouri River.

Mr. MALBY. I am asking about San Francisco. Suppose I say I want to pay the freight; you absorb 27 cents, but I want you to take $5 less 27 cents.

Mr. SPRECKELS. Why?

Mr. MALBY. Simply because it would not have to be shipped. Would not you do the same thing?

Mr. SPRECKELS. Yes; if I had a monopoly.

Mr. MALBY. No; I am not asking about that. Do not volunteer anything about monopolies, because I do not care anything about them at this writing.

Would not you do the same thing if you were asked to make a deduction of 18 cents below the market price at Yonkers?

Mr. SPRECKELS. We allow anybody to pay their own freight.

Mr. MALBY. I ask if you would deduct from the Yonkers price the amount you absorb?

Mr. SPRECKELS. We will deduct the amount of the freight.

Mr. MALBY. Will you deduct the amount which you absorb? Answer that one question. Will you deduct the amount which you absorb between New York and Georgia, from the price at which you sell the sugar at Yonkers?

Mr. SPRECKELS. If you will allow me to answer in my own way——

Mr. MALBY. You may answer it any way you please, if you will only answer the question.

Mr. SPRECKELS. I want to answer the question.

Mr. MALBY. It seems to me "yes" or "no" will answer that question.

Mr. SPRECKELS. In California they will quote a price of 5.28 delivered—freight prepaid to the Missouri River. The freight rate is 55 cents, making $4.73 which it nets the refiner. If I go to the refiner and say, "I will take it at $4.73 and pay my own freight," they will not do it. We say we will sell them the sugar and allow them to pay their own freight; so long as we get the same amount of money we do not care.

Mr. MALBY. For instance, sugar is selling in New York City at $5.

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. It is selling in Macon, Ga., for 5.325.

Mr. SPRECKELS. No; 5.18.

Mr. MALBY. Yes. Would you be willing to deduct the 32½ cents?

Mr. SPRECKELS. We are willing to deduct the 18 cents that we absorb.

Mr. MALBY. Would you deduct the whole amount of the freight which you pay?

Mr. SPRECKELS. We want to net the same price; so long as we net the same price at Macon, Ga., we are perfectly willing that that man shall have his sugar. He can do with his sugar whatever he wishes.

Mr. MALBY. I am asking you, if he says to you, "I will take this if you will deduct 32½ cents," would you deduct the 32½ cents or would you deduct the 18 cents?

Mr. SPRECKELS. We deduct the 18 cents.

Mr. MALBY. And not the 32½ cents?

Mr. SPRECKELS. No, sir.

Mr. MALBY. I suppose other refineries sell sugar in Yonkers besides your own, do they not?

Mr. SPRECKELS. I believe they do.

Mr. MALBY. They sell at the same price as you do and pay the freight in?

Mr. SPRECKELS. There is another refinery there.

Mr. MALBY. Oh, there is no other refinery there.

Mr. SPRECKELS. Oh, yes; there is the refinery of the National Sugar Co.

Mr. MALBY. Oh, I did not know that. Are there any other companies or refineries selling in Yonkers besides the National and your company?

Mr. SPRECKELS. I do not know. I am not familiar with it, but I doubt it.

Mr. MALBY. You are not selling the entire market, are you?

Mr. SPRECKELS. I guess we have the bulk of it.

Mr. MALBY. I am not saying whether you have the bulk of it or not. If anybody else does sell in Yonkers, they sell at your price, do they not?

Mr. SPRECKELS. I do not know whether they do or not. I do not know. It may be more and it may be less.

Mr. MALBY. But when you sell in New York you sell at the same price the American Sugar Refining does, and you pay the freight?

Mr. SPRECKELS. We do not always sell at the same price.

Mr. MALBY. The ruling prices are substantially the same, are they not, at wholesale, and have been for several years?

Mr. SPRECKELS. There have always been slight differences ever since we have been in the business.

Mr. MALBY. Then the publications which we see here of the wholesale prices, from Willett & Gray and others, you say are not correct?

Mr. SPRECKELS. I did not state that. You have there (indicating) one circular, and if you will go through a year's circulars you will find many differences. Perhaps I can find something right there in that circular. I might find a difference; I do not know that I can. (After examining the circular.) This is July 6. According to that circular they seem to be at that date the same.

Mr. MALBY. As a general rule they run substantially the same, do they not?

Mr. SPRECKELS. What do you mean by "substantially?"

Mr. MALBY. With no material difference. There are a couple of months of them there (handing some papers to the witness). Please examine them and see if you find any differences there.

Mr. SPRECKELS. Under date of June 29, 1911, I find this statement:

> For a day or so the Federal, having a surplus on hand, accepted orders based at 4.95 less 2 per cent. After that surplus was disposed of and at the close they are again firm at 5 cents less 2 per cent, the same as other refineries.

We made a concession there.

June 22 they report no difference. Under May 25 they say:

> Prices are maintained by all refineries, basis 4.90.

Under May 18 there seems to be no change, but I would like to state the method of doing business. The refiners usually take business sufficient for 30 days, and the price prevails for that time, and when the Federal makes a concession it takes sufficient business to practically last over the 30-day period and is actually below that price for 30 days.

Under May 11 the report does not change.

Mr. MALBY. So far as you have examined these circulars, according to Willett & Gray, the wholesale price of sugar has been the same during the past two months?

Mr. SPRECKELS. No; I do not say it was the same.

Mr. MALBY. According to Willett & Gray, I ask you whether they are not the same?

Mr. SPRECKELS. No; they are not.

Mr. MALBY. With the exception of a single date, where they were the same at the close and you had worked off a surplus during the day.

Mr. SPRECKELS. Not during the day, but that price prevailed for 30 days.

Mr. MALBY. Well, for whatever time it did prevail.

Mr. SPRECKELS. I think these circulars only run a period of 30 days.

Mr. MALBY. The point which I desire to make is that where you sell sugar in New York in competition with the American Sugar Refining Co. you pay the freight between Yonkers and here and sell at substantially the same price or at the same price.

Mr. SPRECKELS. The word "substantially" does not answer.

Mr. MALBY. I have called your attention to two months' figures. I do not think we should split hairs about the matter.

Mr. SPRECKELS. There is a difference of 5 cents a hundred, which is $1 a ton——

Mr. MALBY. That occurred at one quotation.

Mr. SPRECKELS. That is a period you have presented reports for of a little over 30 days, and that price prevails for 30 days. When you say "substantially the same" I call your attention that 5 cents a hundred means $1 per ton, and for the consumption of the United States that means over $3,500,000. That is the difference. You may think that that is "substantially the same," but I do not think it is.

Mr. MALBY. The reports will show for themselves; but what I want to ask you is whether or not, when you sell your sugars in New York City, you do not at least absorb the freight between your place and New York City and meet the competing market here?

Mr. SPRECKELS. They have no refinery in New York City either. They absorb that just as we do, do they not?

Mr. MALBY. Why not get at something, Mr. Spreckels? I am trying to get along. I think they have refineries in New York. They have one in Brooklyn.

Mr. SPRECKELS. I mean New York City.

Mr. MALBY. Is not Brooklyn in New York City?

Mr. SPRECKELS. It is Greater New York.

Mr. MALBY. There is only one New York City around here, is there not?

Mr. SPRECKELS. That is all.

Mr. MALBY. It is several years since we have had any such city as Brooklyn, is it not? Brooklyn is merely a borough of the city of New York?

Mr. SPRECKELS. It is.

Mr. MALBY. Then why quibble about the matter? The American Sugar Refining Co. has refineries in the city of New York, to wit, in the Borough of Brooklyn of the city of New York.

Mr. SPRECKELS. And Yonkers adjoins New York.

Mr. MALBY. We will get to Yonkers by and by.

Mr. SPRECKELS. I hope so.

Mr. MALBY. But at the present, the American Sugar Refining Co. has actually a refinery located in the city of New York, has it not?

Mr. SPRECKELS. In Brooklyn.

Mr. MALBY. I do not care whether you split hairs or not. It is your testimony which is going down and into the record and not mine, and it is your testimony which will be read and not mine.

Yonkers is not within the city of New York, is it?

Mr. SPRECKELS. It is not. Brooklyn is, if that is what you are after.

Mr. MALBY. Whatever freight you have to pay on your product from your refinery——

Mr. SPRECKELS (interposing). We absorb that.

Mr. MALBY. Delivered in the city of New York or any portion of the city of New York, you absorb that?

Mr. SPRECKELS. We do.

Mr. MALBY. We might have gotten at that some time ago.

So that, as a matter of fact, all refineries, wherever located, take advantage of their locality and charge the same price as those who compete with them, though all their competitors have to pay freight if they sell in the same market. That is the common way of transacting business, is it not

Mr. SPRECKELS. We sell our product in the city of Yonkers. We sell it at the factory door and allow them the cartage to the point. We deduct that for the delivery. It is substantially the same.

Mr. MALBY. Is it not a fact—I do not want to be obliged this warm day to repeat these questions too often, because I think you must understand them—is it not a universal practice that refineries; wherever located, do take advantage of their locality in the sale of sugar and sell sugar at precisely the same price their competitors do in that market?

Mr. SPRECKELS. They do.

Mr. MALBY. That is easy. I desire now to make some inquiry in reference to the foreign supply. How much raw sugar is imported from Cuba or was imported during the year 1910, if you can give the amount?

Mr. SPRECKELS. May I ask you to let me have Willett & Gray's circular? I do not think, however, it is given there, because I have to get a circular as of December.

Mr. MALBY. Can you give it approximately?

Mr. SPRECKELS. About 1,800,000 tons approximately.

Mr. MALBY. How much came from Porto Rico?

Mr. SPRECKELS. Approximately 300,000. May I have the circular?

Mr. MALBY. Yes; I want you to give that if you can. [Handing the circular to the witness.]

Mr. SPRECKELS. This is merely a crop estimate, and it does not give the importation.

Mr. MALBY. Is that the Philippines?

Mr. SPRECKELS. No; that is Porto Rico.

Mr. MALBY. What about the Philippines?

Mr. SPRECKELS. I do not recall just what they brought in from the Philippines last year.

Mr. MALBY. Does it appear there anywhere?

Mr. SPRECKELS. No, sir; it does not.

Mr. MALBY. And from Hawaii?

Mr. SPRECKELS. 485,000.

Mr. MALBY. And what from all other countries except those enumerated?

Mr. SPRECKELS. I have not the figures at hand. It comes from Java and Peru and various places. I will furnish those figures at the afternoon session if you wish them.

Mr. MALBY. I asked you if you knew now what the importations from all other countries were except those enumerated. You do not now know?

Mr. SPRECKELS. I can not give it to you at this time, but will furnish it this afternoon.

Mr. MALBY. I will be pleased to have you do so.

I think you have made a mistake with reference to your figures of importation. I asked the amount imported from Cuba, Porto Rico, and the Hawaiian Islands. I think you have given me the total production instead of the total importation.

Mr. SPRECKELS. I say it does not give the total importations. I thought I had stated that previously.

Mr. MALBY. I did not so understand that.

Mr. SPRECKELS. I will furnish that this afternoon. All of the crop of Hawaii comes here.

Mr. MALBY. Can you tell at what time of year the importations are made, outside of Porto Rico, Hawaii, the Philippines, and Cuba?

Mr. SPRECKELS. The larger quantity comes in the fall of the year.

Mr. MALBY. Can you tell about the months, and what they were in 1910?

Mr. SPRECKELS. I will furnish all that data this afternoon.

Mr. MALBY. Very well; and state the quantity and the months.

I requested you on Saturday to give the prices which you have paid for sugar from Cuba and elsewhere during the past 10 years, or so long as you have been in the business, and also the prices at London during the same period of time. Have you those figures?

Mr. SPRECKELS. I have not had time to compile those figures yet.

Mr. MALBY. Your purchases of raw sugar are made at the docks in New York, are they not?

Mr. SPRECKELS. Sometimes; and sometimes abroad.

Mr. MALBY. Where do you purchase your raw sugar?

Mr. SPRECKELS. Java——

Mr. MALBY (interposing). And where else?

Mr. SPRECKELS. It is all done through New York, if that is what you mean. Their agents are here.

Mr. MALBY. You buy at the docks in New York? They deliver it at the docks here in New York?

Mr. SPRECKELS. They deliver it at the docks here in New York.

Mr. MALBY. Where does most of it come from?

Mr. SPRECKELS. Sometimes they deliver it aboard ships, Java. Sometimes we buy the invoice weight at Java.

Mr. MALBY. If you understand my question, where does most of it come from?

Mr. SPRECKELS. From Java.

Mr. MALBY. Then most of the sugar which you consume in your factory here comes from Java?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. And not from Cuba?

Mr. SPRECKELS. No. I said outside of Cuba.

Mr. MALBY. I am not asking about that at all. I am trying to ascertain where you get your raw sugar?

Mr. SPRECKELS. Mostly from Cuba.

Mr. MALBY. What percentage of all you consume do you get from Cuba?

Mr. SPRECKELS. I should say 80 per cent.

Mr. MALBY. Do other refineries pay the same price for sugar in the New York market as you do, on the same day of purchase?

Mr. SPRECKELS. Practically; I believe so.

Mr. MALBY. Do you know what the freight is from London to New York?

Mr. SPRECKELS. I do not.

Mr. MALBY. Do the London prices include cartage and all other charges except absolute freight?

Mr. SPRECKELS. They include freight only. Generally we insure ourselves.

Mr. MALBY. It does not cover insurance? Does it cover cartage or loading?

Mr. SPRECKELS. At the foreign ports?

Mr. MALBY. Yes.

Mr. SPRECKELS. Yes, sir; it is all f. o. b.

Mr. MALBY. So the London quotation would be the quotation f. o. b.?

Mr. SPRECKELS. Yes.

Mr. MALBY. And that would exclude freight and insurance?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. Do you know what the freight is from London to New York?

Mr. SPRECKELS. I do not.

Mr. MALBY. Was not one of the objects in admitting sugar free from Hawaii and Porto Rico and the Philippines to produce and sell sugar cheaper to the consumer?

Mr. SPRECKELS. In the case of Cuba, as I understand, there were reciprocal arrangements.

Mr. MALBY. I did not include Cuba.

Mr. SPRECKELS. Porto Rico, Hawaii, and the Philippines belong to the United States, and there is no tariff there.

Mr. MALBY. Whether there is a tariff or not, was not one of the objects in admitting sugar free from those places in order that we might obtain sugar at a less price? Was not that one of the objects?

Mr. SPRECKELS. It is United States territory.

Mr. MALBY. Let us not discuss that, because we are getting involved in legal matters which are too deep for me, and I do not care to discuss them, as to whether they are part of the United States or not.

Was not one of the objects of granting the admission of sugar free in order to obtain a cheaper price for the consumer?

Mr. SPRECKELS. Congress has never informed me about it. I do not know what they intended to do or what their object was. I have never been in their confidence.

Mr. MALBY. That answers every purpose, so far as I am concerned.

Was not one of the objects in reducing the tariff on Cuban sugar also that the consumer might obtain sugar cheaper?

Mr. SPRECKELS. I do not know what the object of Congress was. My understanding is that there were reciprocal arrangements. They were to admit certain of our products and we some of theirs.

Mr. MALBY. With a view of lessening the price of sugar, was it not?

Mr. SPRECKELS. I do not know what their idea was.

Mr. MALBY. Do you know what quantity of sugar was shipped from Hawaii in about 1890, just prior to the McKinley Act?

Mr. SPRECKELS. I do not know. I can furnish that.

Mr. MALBY. Or how much sugar was imported from Porto Rico prior to its annexation by the United States?

Mr. SPRECKELS. I will be pleased to furnish that this afternoon.

Mr. MALBY. I make also the same inquiry as to the Philippines.

Something has been said about the tariff, and there are a few questions which I would like to have you answer, and to get along as directly as possible.

Do you claim that the general market price of an article in this country, when produced in this country, is the foreign price plus the duty? Is that what you maintain?

Mr. SPRECKELS. It is, on sugar.

Mr. MALBY. I asked you whether you maintained that as a general proposition?

Mr. SPRECKELS. I should say yes.

Mr. MALBY. You do not know of any reason why it should be different with respect to other articles if it does apply as to sugar, do you?

Mr. SPRECKELS. I think the same thing would apply; the same rule.

Mr. MALBY. Do you also claim that except for the duty the general market price would be lower by just the amount of the duty?

Mr. SPRECKELS. I do.

Mr. MALBY. Do you claim that if the duty were removed from articles now produced in this country we would produce such articles for a price represented by the present price with the duty deducted?

Mr. SPRECKELS. I do.

Mr. MALBY. And you know of no reason why this rule should not be uniform and apply to all articles now manufactured in this country upon which a duty is paid as well as to sugar?

Mr. SPRECKELS. That is true. That is my opinion.

Mr. MALBY. I simply asked for your opinion. So you are of the opinion that wherever a duty is removed the articles sell for a price represented by the former price less the duty?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. Now let us see for a few moments how your rule works. Going back to your own illustrations, I see that Mr. Atkins, in giving his testimony to which you have referred at page 176, commences with the year 1885, when there was a tariff of 3.5 cents on refined sugar. According to Mr. Atkins's statement, that tariff continued at 3.5 on refined sugar from 1885 to 1890, inclusive. He also gives the price of refined sugar during that period, which, as I figure it from this, was 6.565. By the same authority I see that from 1890 to 1893, or from April 1, 1891, I think, raw sugar was free and refined sugar one-half cent.

If I have made no mistake in my figuring, I find that the average price of refined sugar during that time was 4.626; that the difference between the average price of raw sugar from 1885 to 1890, and from 1891 to 1893, was 1.939, while the difference in duty was 3 cents. So that if these figures be correct, the price of sugar from 1890 to 1893 was not reduced by the sum of the duty, was it?

Mr. SPRECKELS. But there is one thing you fail to take into consideration——

Mr. MALBY (interposing). I just asked you that question. We will take these other things into consideration as we come to them.

Mr. SPRECKELS. No; I will answer that question "no," but I will supplement it, giving the reason why.

Mr. MALBY. We make it to the reasons why.

Mr. SPRECKELS. You do not take into consideration any combination.

Mr. MALBY. We will take into consideration——

Mr. SPRECKELS (interposing). The trust began to operate at that time.

Mr. MALBY. Pardon me, but I can not discuss trusts at the present. You introduce an unknown quantity, of which we have no knowledge. I am simply trying to verify your figures.

Mr. SPRECKELS. I would like to supplement my statement.

The CHAIRMAN. I think the witness ought to be allowed to answer a question and then give any qualifications.

Mr. MALBY. Personally I do not want any dissertations about trusts or such matters until I get through questioning the witness.

Mr. SPRECKELS. I would like to supplement my former answer by saying that wherever there is no combination that rule applies.

Mr. MALBY. Now, you say where we get——

The CHAIRMAN (interposing). The witness can not always answer a question by yes or no, and it is only fair to let him answer in his own way.

Mr. MALBY. I am trying to get information and I am trying to be fair to the witness, but I do not agree with him and I do not think the records show it. The chair will probably easily understand how it is for the witness to suggest that the reason why his rule does not apply is because there was a trust. That at once involves the committee in an inquiry as to whether there was or was not a trust.

The CHAIRMAN. You asked the question why the rule did not apply, and you said the figures show it did not apply that year, and why should he not be allowed to say why it does not. Let him give his idea about it, I would suggest.

Mr. SPRECKELS. You are asking for an opinion and I am giving it.

Mr. MALBY. I am asking for facts.

The CHAIRMAN. I think it is fair to let him qualify his answer and not hold him down to a yes or no answer.

Mr. MALBY. I have not any objection to members of the committee examining the witness and giving him any opportunity he wants to discuss these matters, but I want to get at the true facts.

The CHAIRMAN. Proceed, but give him a reasonable opportunity to answer.

Mr. MALBY. I observe that from 1891 to 1893 the average price of raw sugar was 3.621 with no duty; that the average price of raw sugar from 1897 to 1903 was 4.012. The difference between the prices of raw and refined sugars from 1891 to 1893, when there was free trade, and from 1897 to 1903, when there was a duty of 1.95, was 0.391, or a very small fraction of the duty itself. That is true, is it not?

Mr. SPRECKELS. I admit that the prices did not fluctuate with the tariff, if that is what you are after.

Mr. MALBY. The difference between the price of raw sugar from 1897 to 1903, and from 1891 to 1893 was only 0.3 or 0.4 of a cent, whereas the tariff was 1.95. You agree with Mr. Atkins, do you not?

Mr. SPRECKELS. What is your question?

Mr. MALBY. My question is whether you agree with Mr. Atkins's figures?

Mr. SPRECKELS. I agree. I do not know anything about his figures, but I am perfectly willing to admit——

Mr. MALBY (interposing). You have the figures before you. Do you agree they are correct?

Mr. SPRECKELS. I have not checked them up.

Mr. MALBY. I think you testified in your direct examination you did regard them as correct.

Mr. SPRECKELS. I believe they are true. I believe every statement Mr. Atkins made is true.

Mr. MALBY. I find that in 1904, after the Cuban reciprocity went into effect, the price was 4.638, and for the year 1905 it was 5.256, an increase of more than one-half a cent for that period of time where there was a more favorable tariff than there was before. Would you say that fluctuation was in any degree attributed to the tariff?

Mr. SPRECKELS. Largely; yes.

Mr. MALBY. There was no change in the tariff except a favorable one, was there—that is, notwithstanding the 20 per cent reduction in favor of Cuba; the price increased from 4.772 to 5.256?

Mr. SPRECKELS. In other words, the price of raw sugar increased, but you do not state that.

Mr. MALBY. I will state that also that the price of raw sugar increased and that the refined sugar increased in price.

Mr. SPRECKELS. The refined sugar increased in price——

Mr. MALBY (interposing). My one point is, which is apparent upon the face of the papers, that the price did increase during a period of time when the traiff on sugar was lower, and then I asked whether or not, in your judgment, the tariff had anything to do with the increase of price during that time?

Mr. SPRECKELS. The tariff, no; the tariff did not increase it.

Mr. MALBY. It went up in spite of the fact that the tariff had been lowered, did it not?

Mr. SPRECKELS. The product went up for other reasons, possibly.

Mr. MALBY. Possibly for other reasons?

Mr. SPRECKELS. But if you will take the year 1906 you will find that the price of granulated sugar was much less.

Mr. MALBY. I am going to get to that right away. I am going to call your attention to the fact that in 1906 the price went down from 5.256 to 4.515, and there was not any change in the tariff. That is a fact, is it not?

Mr. SPRECKELS. That is a fact.

Mr. MALBY. In other words, these changes of prices during the years to which I have called your attention were not owing to a change in the tariff but to other conditions. Is not that correct?

Mr. SPRECKELS. I think they were largely lowered by reason of that and raised for other reasons, and the other reasons were greater than the tariff.

Mr. MALBY. I see Mr. Atkins assigns a reason, and let us see if you agree with him. He assigns as a reason why the price of refined sugar and raw sugar went up in 1905 from that of 1904 was because of a decrease in Europe of 1,000,000 tons. Do you agree with that or not?

Mr. SPRECKELS. Yes.

Mr. MALBY. He also says that he attributes the decrease in price in 1906 to the fact there was an increase in the European supply of 2,000,000 tons. Do you agree with that?

Mr. SPRECKELS. I do.

Mr. MALBY. So you agree with Mr. Atkins that the price of sugar——

Mr. SPRECKELS (interposing). The world's price makes the market.

Mr. MALBY. The world's price of sugar is determined by the laws of supply and demand; is that correct?

Mr. SPRECKELS. It is.

Mr. MALBY. I go below there in order to call your attention again to the matter that in the year 1908, when it says, "Short crop in Cuba," it went back to 4.957. Do you agree with that as the cause?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. And in 1909 it was 4.765 and went back again. I presume the crops were normal that year? In 1910 it says, "Short crop in Europe," and it went back 4.972; yet, during all this period of time, the tariff remained exactly the same, and hence could not have had anything to do with the fluctuation in prices. That is correct, is it not?

Mr. SPRECKELS. I say that the tariff plays a very important part in it.

Mr. MALBY. Just answer my question. The tariff remained exactly the same, did it not?

Mr. SPRECKELS. And the other market conditions as a rule—and supply and demand.

Mr. MALBY. You have not quite got an answer to the question yet.

Mr. SPRECKELS. I do not agree to it. I do not agree to it. You asked whether I agreed to it, and I say no.

Mr. MALBY. That is an answer. I am perfectly content with any answer you make.

We see from the figures furnished by Mr. Atkins that after an experience of 25 years, or since 1885, it appears that a change in the rate of the tariff has not been followed by a change in the price of the sugar, whether such tariff changes were up or down, by the amount of the tariff. That appears from the record there, does it not?

Mr. SPRECKELS. What is your question, please?

Mr. MALBY. The stenographer will read it to you.

(The stenographer thereupon read to the witness the last preceding question.)

Mr. SPRECKELS. It does not show that at all.

Mr. MALBY. It does not show that?

Mr. SPRECKELS. No, sir; it does not, because you go——

Mr. MALBY (interposing). I am content with the answer.

Mr. SPRECKELS. The record does not show it.

Mr. MALBY. I am content with the answer if you are.

Mr. SPRECKELS. I am.

Mr. MALBY. I do not want to unnecessarily prolong the matter, but you have replied that you thought the same rule ought to govern with reference to other articles. Are you familiar with the fact that Congress did abolish, under the Payne-Aldrich bill, the tariff on leather?

Mr. SPRECKELS. I am not familiar with that. Is that a trust?

Mr. MALBY. I do not know anything about trusts at all. I think we would get at the facts sooner, if you would permit the suggestion, if you were not so bound up in trusts.

Mr. SPRECKELS. I am merely asking for information.

Mr. MALBY. I have not any information about the trusts to give you here.

Mr. SPRECKELS. I do not know anything about leather.

Mr. MALBY. Are you aware of the fact that the price of boots and shoes has gone up since the passage of that law?

Mr. SPRECKELS. No.

Mr. MALBY. In case it should appear that the tariff was removed from leather, and the price of boots and shoes has gone up, then your rule that the price would be lowered——

Mr. SPRECKELS (interposing). I would say then there might be a combination.

Mr. MALBY. The fact the price went up instead of down would not indicate that your rule applied in that case, would it?

Mr. BIGELOW. Mr. Chairman, I submit that question is a very involved question. I doubt very much if this witness can answer a question of that sort. It is a question asking if certain things happened, would you say this or that. I think that the questions should be put on the basis of facts.

The CHAIRMAN. The witness will have to do the best he can. We do not recognize the validity of any objection unless the witness has some constitutional right that is being infringed upon. We will be the judges of the answers of the witness.

Mr. SPRECKELS. My answer is that I know nothing about the leather business or the shoe business.

Mr. MALBY. I did not ask just that. I asked if it should appear it is a fact the tariff on leather had been entirely removed and the price of boots and shoes had gone up, your rule that the prices would go down in the sum of the tariff was not true in that case.

Mr. SPRECKELS. I do not know anything about that.

Mr. MALBY. You know nothing about it?

Mr. SPRECKELS. No.

Mr. MALBY. I also observe that the tariff on lumber was reduced from $2 to $1.45, and that the price went up 25 cents more than it was before under the same law. That would not indicate that the price of lumber was governed in any possible degree by the raising or lowering of the tariff?

Mr. SPRECKELS. My answer is I know nothing about it at all. I do not know anything about the lumber business.

The CHAIRMAN. Gentlemen, the hour of recess has arrived, and the committee will recess until 2 o'clock.

(Thereupon at 1 o'clock p. m. the committee took a recess until 2 o'clock p. m.)

AFTER RECESS.

The committee reassembled pursuant to the recess, at 2 o'clock p. m.

The CHAIRMAN. Before Mr. Spreckels resumes the stand, there is a matter we wish to examine Mr. Freeman about, and I will ask Mr. Freeman to take the stand.

TESTIMONY OF MR. JOSEPH E. FREEMAN.

The CHAIRMAN. Mr. Freeman, I believe you are secretary of the American Sugar Refining Co.

Mr. FREEMAN. I am.

The CHAIRMAN. Are you prepared to respond to the notice we served on you this morning, and of which you had advance notice from the record of these proceedings, relative to producing certain facts from the records and books of your company, as to the cost of production of beet sugar?

Mr. FREEMAN. I am prepared to respond to the subpœna to the extent of producing at this moment the annual reports of certain beet-sugar companies for last year, and they contain the items mentioned in the subpœna.

The CHAIRMAN. Do the reports contain a summary of the monthly reports?

Mr. FREEMAN. I can not say as to that. They give the yearly operations of the various companies.

The CHAIRMAN. They give the yearly operations of the various beet companies in which the American Sugar Co. is a stockholder?

Mr. FREEMAN. They do.

The CHAIRMAN. For what year?

Mr. FREEMAN. They call it the year 1910–11.

The CHAIRMAN. The last completed campaign as affecting sugar?

Mr. FREEMAN. Yes, sir.

The CHAIRMAN. Suppose you read us those figures on the cost of production of beet sugar by each one of those companies.

Mr. FREEMAN. If you will allow me a word of explanation.

The CHAIRMAN. Yes.

Mr. FREEMAN. I will say that I am not the accountant of the company. These figures are prepared by the controller's office, and I have never seen these reports before this morning; but the controller's office has given me a statement of the cost per pound of manufacturing beet sugar.

The CHAIRMAN. And you have every reason to believe that it is an accurate summary of what your records will show on that subject?

Mr. FREEMAN. I believe this is an accurate summary of what the records show. This is the cost per pound for all operations excepting improvements, and I believe, does not make any allowance for depreciation in the plant, nor does it cover freight, which I will not go into. This is the actual, bare cost. For the Michigan Sugar Co., $3.48 a hundred; for the Great Western Sugar Co., $3.43 a hundred; for the Billings Sugar Co., $3.49 a hundred; for the Scottsbluff Sugar Co., $3.85; for the Amalgamated, $3.05; for the Lewiston, $3.03; for the Utah-Idaho, $3.53; for the Alameda, $4.32; for the Spreckels, $2.70; for the Menominee, $4.39; for the Continental, $4.08; for the Iowa, $5.14; for the Carver County, $3.75. We have not got the separate

items of selling expense, including brokage, discount, insurance, storage, etc.

The CHAIRMAN. We did not ask you for that. Now, that is the actual cost of manufacturing beet sugar, according to those statements.

Mr. FREEMAN. Exclusive of the items I have mentioned.

The CHAIRMAN. I say, the actual cost of manufacturing, and those items are no part of the cost of manufacturing.

Mr. FREEMAN. Yes, sir; that is correct.

The CHAIRMAN. I notice that there are pretty big discrepancies in the figures there of the different plants.

Mr. FREEMAN. Yes, sir;

The CHAIRMAN. Are they all figured on the same basis, or did you go deep enough into that to say? In other words, did any of that include depreciation or interest on money? In other words, did any of that include depreciation or interest on money?

Mr. FREEMAN. None of them includes those items.

The CHAIRMAN. In other words, you know that they are all figured on the same basis?

Mr. FREEMAN. At least, they arrive at the same result, the cost of manufacture.

The CHAIRMAN. No: they arrive at very different results.

Mr. FREEMAN. But they arrive at the same result, which is the cost of manufacture?

The CHAIRMAN. In other words, the same rule was applied to each one of those concerns?

Mr. FREEMAN. Yes; I believe that from what the accountants say.

The CHAIRMAN. I mean, that is what the accountants say?

Mr. FREEMAN. Yes.

The CHAIRMAN. The original records, of course, are in your office, which would substantiate that result?

Mr. FREEMAN. Yes, sir.

The CHAIRMAN. And this is a summary which you are satisfied is accurate and correct as to what those records will show?

Mr. FREEMAN. Yes, sir.

The CHAIRMAN. Gentlemen, are there any other questions to be asked this witness on this subject?

Mr. HINDS. Are those the companies in which the American Sugar Refining Co. is interested?

Mr. FREEMAN. Yes; only the companies in which we are interested.

The CHAIRMAN. That is, all the beet sugar companies in which you are interested?

Mr. FREEMAN. Yes.

Mr. HINDS. And that is a part of the returns which they give you as stockholders, is it?

Mr. FREEMAN. Yes: the annual returns they make to the controller's office.

Mr. HINDS. Does the American Sugar Refining Co. also keep the records of the profits that these companies make?

Mr. FREEMAN. I think they will be found in these same annual returns. The summaries I have given you are simply from annual returns which cover a great many matters.

Mr. HINDS. I was thinking that those profits were matters which we would want, Mr. Chairman.

The CHAIRMAN. Possibly they are, and I imagine our committee, which will inspect the books, will get those details. Mr. Freeman, we appointed a committee to go over these books thoroughly and your statements, and before we make the report I think we can get this information from your books and the books of the beet-sugar companies, and check one against the other.

Mr. FREEMAN. Our books are at your service.

The CHAIRMAN. Thank you.

Mr. RAKER. The annual statements from each of these beet-sugar companies is what you took to make this list you now have, are they not?

Mr. FREEMAN. Yes, sir.

Mr. RAKER. I may be mistaken, Mr. Freeman, but my recollection is I asked you while you were on the stand if those companies made a semiannual statement to you?

Mr. FREEMAN. Yes, sir; you did.

Mr. RAKER. Do they?

Mr. FREEMAN. They apparently do. I testified I knew of no such report, which was true.

Mr. RAKER. And they make an annual statement also, do they?

Mr. FREEMAN. Yes, sir.

The CHAIRMAN. A semiannual and an annual statement?

Mr. FREEMAN. An annual statement.

Mr. RAKER. But no semiannual statement?

Mr. FREEMAN. I know of no semiannual statement.

Mr. RAKER. Is there any monthly statement?

Mr. FREEMAN. There may be, but I do not know. As I expressly pointed out, this is from the controller's office.

The CHAIRMAN. If there are no other questions, we will excuse this witness for the present.

Now, Mr. Spreckels, if you will resume the stand Judge Malby will continue his examination.

TESTIMONY OF MR. CLAUS AUGUST SPRECKELS—Continued.

Mr. MALBY. At the recess, Mr. Spreckels, we were making some inquiry about the prices of some specific articles, both before and after the tariff was removed, and I want to ask you generally, in the absence of having probably specific knowledge, as to whether it is not your common knowledge that the price of all tin and iron and copper and metals of other kinds—manufactured articles—have gone down in price since the tariff was imposed upon those articles.

Mr. SPRECKELS. I know absolutely nothing about it.

Mr. MALBY. I will ask you one or two general questions, and then I will not bother you further about it. Can you mention or have you in mind a single article of merchandise which is manufactured in this country and upon which there was a duty levied, and which duty was either lowered or repealed, that such article was after such action lowered by the amount of the duty removed? Do you recall any such article?

Mr. SPRECKELS. I know nothing excepting about sugar. I have no information about other industries. I am not interested in any other industry.

Mr. MALBY. Then you can not mention any article manufactured in this country where the duty was raised, where the price was increased by the amount of the duty?

Mr. SPRECKELS. I have never had occasion to look that up, not being interested at all. The only thing I am interested in is the sugar industry.

Mr. MALBY. What would be the effect upon the sugar industry in this country if the duties were removed, in your judgment?

Mr. SPRECKELS. A reduction of about 2 cents a pound to the consumer.

Mr. MALBY. I am speaking of the industry, not the price. What would become of the industry; in your judgment, what would be the effect upon the sugar industry in this country?

Mr. SPRECKELS. Where? In the United States?

Mr. MALBY. Yes.

Mr. SPRECKELS. From the evidence I just heard from Mr. Freeman, I should say it would be very prosperous without the tariff entirely.

Mr. MALBY. That would be your judgment?

Mr. SPRECKELS. That has been my contention from the start, and it is proved by the facts submitted by Mr. Freeman.

Mr. MALBY. That is, in your judgment, it has been proved?

Mr. SPRECKELS. I think it has.

Mr. MALBY. Now, you have stated what, in your judgment, sugar could be produced for in this country from beets.

Mr. SPRECKELS. I have.

Mr. MALBY. My inquiry now is, first, in order to ascertain as to your right to speak upon that subject, do you know the average price of beet-sugar lands in this country when fully prepared for beet culture, and if so, what is it?

Mr. SPRECKELS. I am not prepared to speak on that subject.

Mr. MALBY. Can you give us the cost of beet seed; that is, the price paid by the farmers?

Mr. SPRECKELS. I never imported any.

Mr. MALBY. Then your answer is that you do not know?

Mr. SPRECKELS. I do not know.

Mr. MALBY. They may be grown in this country, may they not?

Mr. SPRECKELS. I suppose if you put a high tariff on it and exclude it from the markets of the world, you probably would grow it in this country. But they are free to-day, and for that reason they are imported.

Mr. MALBY. What I mean is, there are no climatic reasons why they could not be raised?

Mr. SPRECKELS. I do not think there is any reason, but they have been in the business 25 years and have not done it.

Mr. MALBY. There is no reason except that under free trade it is thought to be cheaper to purchase them abroad?

Mr. SPRECKELS. Precisely, and sugar would be cheaper if the tariff on that were removed. It is cheaper to bring it in than to raise it.

Mr. MALBY. The question of cheapness is one thing and the advisability might be another. Do you know what it costs the farmer to plant the beet seed, prepare his ground, and put the seed in the ground?

Mr. SPRECKELS. I do not, sir; I am not a farmer.

Mr. MALBY. Or the cost of irrigation, where irrigation is required?

Mr. SPRECKELS. No, sir; the details I do not know except the price of the beets must cover that and more too.

Mr. MALBY. Let us get at it in detail and see what you know about it. Do you know the cost of cultivation per acre after they have been planted?

Mr. SPRECKELS. I do not.

Mr. MALBY. And before they have been harvested?

Mr. SPRECKELS. I do not.

Mr. MALBY. Or the cost of harvesting? Do you know what it costs to harvest an acre of beets or a ton of beets?

Mr. SPRECKELS. I never raised beets, and I do not know.

Mr. MALBY. Or the detailed cost of the bare process of manufacturing; do you know what that costs?

Mr. SPRECKELS. I do not, excepting by hearsay.

Mr. MALBY. I mean from any personal knowledge of your own?

Mr. SPRECKELS. No, sir; not from personal knowledge. I never owned a beet factory.

Mr. MALBY. Now, I ask you the same questions with reference to cane sugar, and your reply is you have not been engaged in the raising or manufacturing of cane sugar?

Mr. SPRECKELS. I have, in Hawaii; yes, sir.

Mr. MALBY. You have, in Hawaii?

Mr. SPRECKELS. I have.

Mr. MALBY. Clear through to the point of complete manufacture?

Mr. SPRECKELS. Yes, sir; from the raising, cultivation, planting, to the maturing and manufacturing of the sugar.

Mr. MALBY. Mr. Spreckels, where do you now sell the product of your refinery?

Mr. SPRECKELS. In the United States.

Mr. MALBY. Will you enumerate the section or the States where you sell?

Mr. SPRECKELS. From New York to California.

Mr. MALBY. In other words, do you sell in all the States of the Union?

Mr. SPRECKELS. Excepting down in Louisiana and Alabama and some points where we can not get to by reason of freight rates.

Mr. MALBY. Do you sell in Missouri?

Mr. SPRECKELS (continuing). We do not sell out in Salt Lake City, for example, or Idaho.

Mr. MALBY. Well, if it is more convenient for you to tell me where you do not sell than where you do sell, take that method of expressing it. Do you sell in any of the Southern States, so called, except Georgia?

Mr. SPRECKELS. We sell to Texas. We do not sell in Mississippi.

Mr. MALBY. In other words, you do not sell in the territory contiguous to the Louisiana refineries, as a general rule?

Mr. SPRECKELS. Only when their price is abnormally high, and freight rates permit us to enter their market.

Mr. MALBY. Do you sell in Michigan?

Mr. SPRECKELS. Yes, sir; sometimes.

Mr. MALBY. Well, at all times of the year?

Mr. SPRECKELS. I am not prepared to say at all times. I think yes; at all times. At all times of the year we sell in Michigan.

Mr. MALBY. And do you sell in Iowa?
Mr. SPRECKELS. Yes, sir.
Mr. MALBY. In Missouri?
Mr. SPRECKELS. Mostly always.
Mr. MALBY. And Kansas and Nebraska?
Mr. SPRECKELS. Yes, sir.
Mr. MALBY. Colorado?
Mr. SPRECKELS. We did last year. The prices were abnormally high, and we sent 10 cars there.
Mr. MALBY. And Idaho?
Mr. SPRECKELS. No, sir.
Mr. MALBY. Utah?
Mr. SPRECKELS. No, sir.
Mr. MALBY. Montana?
Mr. SPRECKELS. Very rarely.
Mr. MALBY. California, except as you have described?
Mr. SPRECKELS. California, only as I have described.
Mr. MALBY. Now, briefly state the reasons why you do not sell in the States you have mentioned, if there are any reasons.
Mr. SPRECKELS. Because we have a sufficient market nearer by.
Mr. MALBY. Well, a more profitable market?
Mr. SPRECKELS. Yes, sir.
Mr. MALBY. A more profitable market by reason of what?
Mr. SPRECKELS. By reason of the freight rates being prohibitive in certain sections of the country.
Mr. MALBY. Can you tell me what the freight rates are to what is called the Missouri River region?
Mr. SPRECKELS. I have asked to have our traffic manager appear before the committee.
Mr. MALBY. Well, I think he has given it already.
Mr. SPRECKELS. No; he has not given it. The traffic manager has not been here, but he will be very glad to appear and answer all questions as to freight matters.
Mr. MALBY. Then we will get at that later.
Mr. SPRECKELS. Anything pertaining to that matter he will be very glad to furnish you.
The CHAIRMAN. Will you have Mr. Lowry give him those figures we asked for about rates when Mr. Lowry was in Washington, and have him bring them with him when he comes to Washington? We will probably have your traffic manager testify before us when we go back to Washington, and when he comes we would like for him to have the figures which we requested of Mr. Lowry.
Mr. SPRECKELS. Yes, sir. Mr. Lowry is not the traffic manager. Mr. Richardson is the traffic manager.
The CHAIRMAN. Yes; we have his name, and will telegraph you when we will need him.
Mr. MALBY. Mr. Spreckels, there seems to be some disagreement between you and the beet-sugar men as to the effect of a repeal of the tariff, they testifying that their industry would perish, while you think it might still go on. But assuming they are correct about it, people who purchase sugar in the localities now supplied by them would to have to pay more for it, would they not, owing to the freight rates to which you have referred?

Mr. SPRECKELS. No, sir; they would not pay any more, because in all those localities they add the freight rate to the price.

Mr. MALBY. Well, if they add the freight rate to the price, what is the difficulty of your gettting in? If they add the freight rate you can get there on the same basis they do.

Mr. SPRECKELS. Because we have the tariff. Beet sugar can be produced a cent and a half a pound less than what we pay for the raw product.

Mr. MALBY. Well, I would not say——

Mr. SPRECKELS (interposing). That has been the testimony here, a cent and a half a pound less than we pay for the raw product.

Mr. MALBY. Well, we will get to that by and by.

Mr. SPRECKELS. That is why we do not compete.

Mr. MALBY. If I understand you correctly, you do not send your sugar in there now, owing to excessive freight rates. Now, if their industry was destroyed the people would have to pay those freight rates, would they not?

Mr. SPRECKELS. They pay them now. But they would not have to pay the tariff.

Mr. MALBY. Now, just leave out the tariff for a moment. I am trying to get at——

Mr. SPRECKELS (interposing). You are trying to find the effect, whether it would be lower or higher.

Mr. MALBY. You do not sell there now, as I understand you, because of the excessive freight rates. Now, if the beet-sugar industry was wiped out in those localities now supplied with beet sugar, they would have to pay this additional rate?

Mr. SPRECKELS. The same as they do now.

Mr. MALBY. What keeps you now from putting your sugars in there?

Mr. SPRECKELS. They have to pay the same freight rate.

Mr. MALBY. Well, if they would have to pay then the same freight rate as they do now, why don't you put your sugars in there. I understood you to say you do not do that because of the freight rate.

Mr. SPRECKELS. I refer to the freight rates from New Orleans as being cheaper.

Mr. MALBY. Well, they would have to pay more, if they paid more freight rates, would they not?

Mr. SPRECKELS. Yes; but they would not.

Mr. MALBY. You say they would not?

Mr. SPRECKELS. No, sir. When I say the freight rates are against us, I am speaking of freight rates from New Orleans, for example, to St. Louis; that is less than from New York, and the absorption would be too great for us to enter that market.

Mr. MALBY. It is too great for you to enter that market?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. But it is your idea that if the tariff was removed you would put the sugar in there without an increase of the present freight rates which supplies that market?

Mr. SPRECKELS. Without an increase in the freight rate; yes, sir.

Mr. MALBY. Very well, if you want to have it that way. Now, taking the price to such people, would the price not be increased instead of diminished?

Mr. SPRECKELS. No, sir; it would not.

Mr. MALBY. They would pay more freight rate, would they not?

Mr. SPRECKELS. No, sir; I imagine the freight rates would be precisely the same. I do not see any bearing between the freight rate and the tariff.

Mr. MALBY. I am assuming that the beet industry was destroyed; you understood that, probably.

Mr. SPRECKELS. Yes, sir; do I understand the railroads would increase the freight to the extent of the tariff? I do not think so.

Mr. MALBY. No; I think I have made it plain.

Mr. RAKER. That is what they did in California on lemons, Mr. Spreckels.

Mr. SPRECKELS. Well, that is how they got a lemon in the Republican tariff, the last tariff. But I think the Interstate Commerce Commission reduced that freight rate.

Mr. RAKER. We are hoping so.

Mr. SPRECKELS. I am informed they have done so.

Mr. MALBY. Now, as a matter of fact, such people who are now dependent upon the market at New Orleans, and the production by the beet sugar people, in case there was an entire repeal of the tariff and the wiping out of such industry, they would not get the full benefit, in any event, of any tariff, only such reduction as the lowering or the repeal of the tariff might bring about, if any, after deducting the increase of freight rates which they would have to pay; is that correct?

Mr. SPRECKELS. Will you please repeat the question?

(The stenographer read the pending question.)

Mr. SPRECKELS. They would get the full benefit of the reduction of the tariff.

Mr. MALBY. Regardless of the freight rate?

Mr. SPRECKELS. Regardless of the freight rate.

Mr. MALBY. So that is your theory about it, that the increased freight rate you would have to pay would not increase the price?

Mr. SPRECKELS. The increased freight rate? I have not heard of any increase in the freight rate.

Mr. MALBY. Your claim is there would be no increase in the freight rate?

Mr. SPRECKELS. I do not know what the railroads will do. I am not running a railroad.

Mr. MALBY. Suppose the rates remained the same as they are?

Mr. SPRECKELS. If they remain the same as they are now, they will get the full benefit of the tariff. That is my contention.

Mr. MALBY. Mr. Spreckels, there is said to be manufactured in this country about 900,000 tons of sugar, both cane and beet, which at 5 cents a pound would be about $90,000,000 per year. In giving this matter consideration, do you regard it of any material benefit to those engaged in this industry that it should be continued?

Mr. SPRECKELS. I claim it will be continued.

Mr. MALBY. Suppose it does not?

Mr. SPRECKELS. Well, that is a supposititious case.

Mr. MALBY. Do you regard it as of importance that it should be continued?

Mr. SPRECKELS. I think you have had evidence enough this afternoon to prove it can exist.

Mr. MALBY. Well, we are not considering that at all.

Mr. SPRECKELS. But that is sworn testimony, and it must be taken into consideration.

Mr. MALBY. I am asking whether you regard it as important that that industry should be continued.

Mr. SPRECKELS. Why, certainly; and it would increase under free trade.

Mr. MALBY. I did not ask you that.

Mr. SPRECKELS. But I have a right to say that.

Mr. MALBY. I do not know, but we will not discuss that. Do you regard it as a matter of importance to the people of the whole country that this industry should continue to exist?

Mr. SPRECKELS. Under certain conditions, yes. Under other conditions, no.

Mr. MALBY. Well, under present conditions.

Mr. SPRECKELS. Under present conditions, with Asiatic labor—and the testimony given here is that they can not produce beet sugar in the United States without Asiatic labor—I say it is not a benefit.

Mr. MALBY. I am not asking you about Asiatic labor.

Mr. SPRECKELS. That is the testimony. I can only go according to the testimony.

Mr. MALBY. Well, I think I may have some other testimony in a little while, so we will eliminate the character of the labor, for the present. You may have in mind all the conditions which you can think of, and I will ask you whether you regard it as of importance to the people of the whole country that this industry should continue to exist?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. Now, the whole amount consumed in this country for the year 1910 is, as I figure it, about 7,700,000,000, which, valued at 5 cents per pound, would be $385,000,000. It has been testified to before this committee, that if the beet growers and manufacturers would be assured of a continuance of the present tariff, or a tariff sufficient at all times to represent the difference between the cost of production here and abroad, that they could, in comparatively a few years, produce this entire quantity, and supply any increased demand. If this could be accomplished, would it, in your judgment, be a benefit to the people of this country to do so?

Mr. SPRECKELS. If it can be done without the tariff, yes.

Mr. MALBY. I am asking you, according to present conditions—you understand the question—either by the maintenance of the present tariff or the maintenance of a tariff sufficient to represent the difference between the cost of production here and abroad.

Mr. SPRECKELS. I think it would be a good thing if we could raise all the sugar that is consumed in this country. But we would raise less of something else. We would raise less wheat, for instance.

Mr. MALBY. Now, let us not get away from the subject, because this is an important matter. I am asking you whether, in your judment, it would be the part of wisdom to continue a policy which they say would be effectual in supplying this entire demand, either by the maintenance of the present tariff, or such tariff as fairly represents the difference in the cost of production here and abroad. Would that policy meet with your approval or not?

Mr. SPRECKELS. My contention is they will never do it, no matter what the tariff is; but if it can be accomplished; yes.

Mr. MALBY. Now, I see that Germany has, by a tariff which is so high that importations are impossible, succeeded in supplying its own markets, selling vast quantities abroad, and at the same time paying an internal revenue tax of millions of dollars into their treasury. Has this not been beneficial to the people and to that country, in your opinion?

Mr. SPRECKELS. I am not going to speak about Germany. I do not know what their conditions are, and I do not propose to go into that. We are dealing with the United States.

Mr. MALBY. Of course, I am asking you, simply whether, in your judgment, that has proven to be beneficial to Germany, Germany being a very progressive country, and we might learn something from that country.

Mr. SPRECKLES. Yes, because they wanted a diversified crop; certainly. They raise their own seed.

Mr. MALBY. Would it not be equally beneficial to this country if the same thing could be accomplished?

Mr. SPRECKELS. Possibly.

Mr. MALBY. Now, Mr. Spreckels, you are a manufacturer of refined sugar from cane?

Mr. SPRECKELS. And beets.

Mr. MALBY. Do you manufacture from the beet?

Mr. SPRECKELS. We are refiners. We refine beet sugar.

Mr. MALBY. Do you refine beet sugar?

Mr. SPRECKELS. Yes, sir; beet or cane.

Mr. MALBY. I did not know you refined beet sugar.

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. Where do you get that raw supply?

Mr. SPRECKELS. From Germany and Austria.

Mr. MALBY. How much have you gotten during the past year from Germany or Austria?

Mr. SPRECKELS. Not any the past year. We will probably enter the market again this year.

Mr. MALBY. Have you got any at all?

Mr. SPRECKELS. A few years ago we had considerable quantities of it. When Cuba did not produce sufficient quantity we got it from there.

Mr. MALBY. If it would not be too much bother I would like to have you furnish the committee the quantity of raw sugar from beets which you have manufactured into refined sugar during the time you have been at Yonkers.

Mr. SPRECKELS. I will be very glad to furnish you that information.

Mr. MALBY. Now, in a personal and business way, you are chiefly interested in the manufacture of sugar from cane, are you not?

Mr. SPRECKELS. We are refiners, not manufacturers.

Mr. MALBY. Well, I used the word "manufacturer" the same as "refiner."

Mr. SPRECKELS. There is a distinction, though.

Mr. MALBY. I presume there is, but we have used them as being synonymous or equal terms. If the tariff was repealed you would have much less capital invested than at present, I take it?

Mr. SPRECKELS. Yes, sir; we would.

Mr. MALBY. And would expect to extend your business?
Mr. SPRECKELS. We would.
Mr. MALBY. And hence make more money?
Mr. SPRECKELS. Yes, sir.
Mr. MALBY. And is not that the chief reason, if not the only one, why you advocate a repeal of the tariff?
Mr. SPRECKELS. That is one of the reasons.
Mr. MALBY. Is not that the chief one, or only one?
Mr. SPRECKELS. That we want to manufacture more? Yes, sir; and make more money.
Mr. MALBY. And make more money?
Mr. SPRECKELS. Yes, sir.
Mr. MALBY. Of course, as a matter of fact, you would expect to expand and extend your own business, if that took place?
Mr. SPRECKELS. We would.
Mr. MALBY. Now, is it not a fact that at the present time the people in this country are purchasing sugar at a less price than the people of any other great country in the world, except Great Britain?
Mr. SPRECKELS. That is true.
Mr. MALBY. And they are paying nearly as much as the people of Great Britain, under present conditions, are they not?
Mr. SPRECKELS. No; not as much as that.
Mr. MALBY. Well, I say nearly as much.
Mr. SPRECKELS. Well, within a considerable sum of money. Of course a half cent a pound means a great deal. A half cent per pound means, on the consumption of the United States, $25,000,000.
Mr. MALBY. You speak in the aggregate, and of course it is very proper you should, but suppose I call your attention to the other part of it. The average consumption is about 80 pounds per capita, as I recall it, is it not?
Mr. SPRECKELS. About that.
Mr. MALBY. And you say the difference would be a half a cent per pound?
Mr. SPRECKELS. I do not know. I am trying to look it up now, if you will allow me.
Mr. MALBY. Well, say it is half a cent. I am not particular whether it is half a cent or three-quarters of a cent. Mr. Hinds says according to the figures he has before him, which seem to be authentic, it is three-quarters of a cent.
Mr. SPRECKELS. That is, $15 a ton.
Mr. MALBY. You speak in large quantities, but suppose it is three-quarters of a cent——
Mr. SPRECKELS (interposing). That is $50,000,000 more to the consumers.
Mr. MALBY. How much would it be to the individual? How much more does he pay? If he pays three-quarters of a cent more on 80 pounds, he would pay 60 cents more?
Mr. SPRECKELS. Sixty cents; that is right. With a family of 10 it would be $6.
Mr. MALBY. You are talking about the family of our fathers and not of the present day.
Mr. SPRECKELS. Well, I thought you practiced the Rooseveltian policies, being a good Republican policy.

Mr. MALBY. I am practicing the modern policies, so far as I am concerned. So that we find that the American people, according to your statement, are buying sugar cheaper than any other country in the world except Great Britain, and that they are paying about 60 cents per year per capita more than the British subjects.

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. And at the same time the people of the United States are being paid the highest wage in every industry in which they are engaged of any people upon the earth, are they not?

Mr. SPRECKELS. I do not think the so-called American farmer, which consists largely of Asiatic labor in the beet fields, are paid any more than they are in Europe.

Mr. MALBY. Now, why mention the Asiatic labor?

Mr. SPRECKELS. Because they produce the beet sugar of this country.

Mr. MALBY. My dear fellow, I thought I made my question plain. I am talking about the American consumer; not simply the Asiatic or the Japanese in the beet fields. I am asking you whether or not the people of these United States, the 90,000,000 people who live here, are not being paid a higher wage than any people on the earth, and receiving their sugar for less than any other country on the globe, except one?

Mr. SPRECKELS. No, sir. I think the cost of living is less abroad than it is in this country, and therefore the net result——

Mr. MALBY (interposing). I am asking you about wages alone. We will not discuss the further economic question.

Mr. SPRECKELS. Well, you want to get the facts.

Mr. MALBY. Are not the wages in this country higher than they are in any other country in the world; and if not, in what country are wages higher?

Mr. SPRECKELS. Well, I have known an ordinary laborer in the Klondike to receive $20 a day, but it costs him $19 a day to live.

Mr. MALBY. I am not talking about the Klondike; I am speaking of the Nation at large.

Mr. SPRECKELS. We are talking about beet sugar.

Mr. MALBY. I am talking about sugar, and I am talking about the Nation at large. Is it not a fact that the people of this country—90,000,000 of people—I am not talking about the fellows in the Klondike or the Japanese or Hindus, but I am talking about the 90,000,000 of people in this country. Are they not receiving to-day a higher wage than any other people on earth, and buying their sugar cheaper than in any other country except Great Britain?

Mr. SPRECKELS. I do not know whether they are or not.

Mr. MALBY. I have before me the report of the British Board of Trade on conditions of living in the United States, being United States Senate Document No. 38, which has the following:

> Summarizing now the results of the international comparison, it appears that the ratio of the weekly wages for certain occupations is in the United States and England and Wales, respectively, at the date of the two inquiries, 243 to 100 in the building trades; 233 to 100 in the engineering trade; 246 to 100 in the printing trades; and 232 to 100 in all these trades. Allowing for a slight difference in wages in England and Wales between the date of the two inquiries, the combined ratio would be 230 to 100.

That comparison is with the wages paid in similar occupations in the United States.

Mr. SPRECKELS. It costs them more to live, though. They do not get their sugar as cheap.

Mr. MALBY. Our income is about two and one-third times as much, so I presume they can stand it, and I do not discover that the gates of Castle Garden are opening the other way very much.

Mr. SPRECKELS. They are to Canada.

Mr. MALBY. Agriculturally, yes; otherwise, not. You have testified, and I think very properly, and I find no fault with it, that you, in common with the other refiners, are getting as good prices as you can under present conditions.

Mr. SPRECKELS. That is true.

Mr. MALBY. And I take it if the tariff was lowered or removed your business would be conducted along the same lines.

Mr. SPRECKELS. Yes, sir; you mean by that we would have the world's market to compete with. We would have another competitor, but we would do the best we could.

Mr. MALBY. You would do the best you could under the circumstances. You would make what money you could legitimately in your business?

Mr. SPRECKELS. Yes, sir; that is true.

Mr. MALBY. In other words, you would not pay very much attention to the reduction of prices to the consumer; but rather, would devote your energies to ascertaining how much you could get for your product.

Mr. SPRECKELS. We would be able to sell for less to the consumer by reason of a larger product.

Mr. MALBY. That does not answer my question, does it?

Mr. SPRECKELS. We would naturally get all we could get. That is true.

Mr. MALBY. For instance, I desire to call your attention to the fact, and I do so with great respect and compliment at the same time—you testified your father was connected, I think, with a factory which yielded as high as 80 per cent in a single year.

Mr. SPRECKELS. That is true.

Mr. MALBY. I refer to that as carrying out the suggestion that we get what the circumstances will permit us to get in the regular course of business.

Mr. SPRECKELS. That was in beet sugar.

Mr. MALBY. Now, do you know what the shortage is in the world's supply this year?

Mr. SPRECKELS. There is no shortage.

Mr. MALBY. There is no shortage?

Mr. SPRECKELS. No, sir.

Mr. MALBY. How much has sugar gone up a pound during the past six months?

Mr. SPRECKELS. Quite considerable.

Mr. MALBY. Do you know how much?

Mr. SPRECKELS. The shortage is in Cuba, and not in Europe.

Mr. MALBY. Very well. You say there is no shortage in the world's supply?

Mr. SPRECKELS. No, sir.

Mr. MALBY. But there is a shortage in Cuba?

Mr. SPRECKELS. There is a shortage in Cuba.

Mr. MALBY. How much is the shortage in Cuba?

Mr. SPRECKELS. About 300,000 tons.

Mr. MALBY. Can you tell me how much sugar was selling for, say six months ago—wholesale, I mean?

Mr. SPRECKELS. Three-quarters of a cent per pound less than it is now.

Mr. MALBY. What reason do you assign for the increase in the price?

Mr. SPRECKELS. Natural reasons caused by supply and demand in certain territories. Bearing on the question asked a moment ago, I would like to state that here is a circular of to-day, this morning's prices:

"American, Howell, Arbuckle, and Warner advanced prices, the basis of 5.35 less 2 per cent for granulated sugar, announcing they would only accept orders for prompt shipment for assortments on contracts. The Federal advanced to 5.30, accepting business on that basis for delayed delivery," meaning 30 days. That is 5 cents a hundred less than the American, Arbuckle, Howell, and Warner.

Mr. MALBY. What are you quoting from?

Mr. SPRECKELS. I am quoting from a circular just issued.

Mr. MALBY. A circular issued by whom?

Mr. SPRECKELS. By James S. Connell & Son, sugar brokers, 106 Wall Street.

Mr. MALBY. I think you said something about advocating wiping out the present test of sugar.

Mr. SPRECKELS. The Dutch standard.

Mr. MALBY. Was that the polariscopic test?

Mr. SPRECKELS. The polariscopic test and also the Dutch standard.

Mr. MALBY. The polariscopic test is the only way by which the quantity of pure sugar can be ascertained?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. Would it not greatly open the door to fraud if that test were removed?

Mr. SPRECKELS. No, sir; on the contrary, I think that test opens the door for possible fraud.

Mr. MALBY. If the people had no way of ascertaining the purity of sugar except by an examination of the naked eye and the taste, would it not enhance the opportunity for fraud on the part of the manufacturer?

Mr. SPRECKELS. No, sir; any layman can weigh a pound of sugar.

Mr. MALBY. They might weigh a pound of sugar, and there might be 25 per cent of adulteration.

Mr. SPRECKELS. The more you juggle with the ways of levying your tariff, the more chance there is for fraud.

Mr. MALBY. I do not know that that is a tariff matter, but is rather for the purpose of ascertaining whether there is any adulteration in sugar.

Mr. SPRECKELS. No, sir. My plan is to put on a specific duty and know what it is, and eliminate all the accessories.

Mr. MALBY. My idea would be that you would simply open the door for such adulteration as might be thought disadvantageous.

Mr. SPRECKELS. Sugar is not adulterated.

Mr. MALBY. But I did not know but what it might be.

Mr. SPRECKELS. They would not pay a higher tariff on a lower product, and it can only be adulterated by lowering the product and making the product of less value.

Mr. MALBY. Now, you have exhibited some desire to refer to the Hindu and the Japanese as being employed in our beet fields.

Mr. SPRECKELS. In our beet fields and cane mills.

Mr. MALBY. I was wondering whether or not they were employed in the vineyards and fruit fields of California as well.

Mr. SPRECKELS. I am told that they are not so much employed in the fruit fields.

Mr. MALBY. Well, if there is a difference, then it is only in degree; is that right?

Mr. SPRECKELS. When they have nothing to do in the beet fields, they go into the fruit districts.

Mr. MALBY. The seasons are different?

Mr. SPRECKELS. Yes.

Mr. MALBY. And they go from one field to the other, wherever they can find employment?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. Of course, if they did not have work to do in the beet fields they would have to go somewhere else, would they not?

Mr. SPRECKELS. They would stay in Japan; they would stay at home.

Mr. MALBY. Well, I am not sure about that. There are differences of opinion about that. I was wondering whether or not these laborers to which you refer, whether they did not accept any kind of employment they could get, just as well as in the sugar fields.

Mr. SPRECKELS. They are particularly adapted for that, and I guess they prefer it.

Mr. MALBY. Well, they are no more adapted to that than to work in the vineyard or orchard?

Mr. SPRECKELS. I have never seen them work on threshing machines or making hay or gathering wheat.

Mr. MALBY. There are a lot of people who do not mow hay or thresh wheat.

Mr. SPRECKELS. I have never seen them work in sugar refineries or flour mills.

Mr. MALBY. Did you ever see them work in any other industry than the sugar-beet industry?

Mr. SPRECKELS. I have seen them work in strawberry patches.

Mr. MALBY. And also in grape fields?

Mr. SPRECKELS. I have never seen them work there. It is possible that they do.

Mr. MALBY. Have you ever visited a vineyard to see whether they do or do not? That is the point about it. Do you know whether they do or not?

Mr. SPRECKELS. Yes, I have, and I have never seen them work there. It is barely possible, though.

Mr. MALBY. The photographs which you produced to-day were all taken in California?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. So you do not know what the conditions are in Idaho or Utah or Colorado?

Mr. SPRECKELS. Only by hearsay, and I understand you are willing to take hearsay.

Mr. MALBY. Do you know what wages these men are paid?

Mr. SPRECKELS. I do not know, but I dare say no more than they have to pay.

Mr. MALBY. Well, that is quite a universal rule, is it not?

Mr. SPRECKELS. That is my experience.

Mr. MALBY. I heard it testified by Mr. Oxnard, of California, that in the beet field some Asiatic labor was employed, as well as Japanese, from necessity, owing to the fact that it was impossible to secure American labor in sufficient quantities and at the times, to produce and take care of the crops. Have you any knowledge upon that subject, as to whether that statement is correct or not?

Mr. SPRECKELS. I dare say that is the case. If that is the case, I do not see how they are going to expand the beet-sugar industry without transplanting Asia to the United States, and if that is to be the policy, I would say yes.

Mr. MALBY. I am simply asking you. I do not know how it is going to expand, and I leave that to the men who are engaged in the industry.

Mr. SPRECKELS. Well, I believe Mr. Oxnard. He ought to know. That has not been my experience in California.

Mr. MALBY. As I recall it, a gentleman from Colorado, Mr. Morey, testified in substance that to-day no Asiatic or Japanese labor was employed in that State. Do you know anything to contradict that statement?

Mr. SPRECKELS. I am told they have Japanese there very largely.

Mr. MALBY. I am asking you what you know. As I recall it, Mr. Morey said they had very little of it.

Mr. SPRECKELS. I do not know. I have not been in the beet fields of Colorado.

Mr. MALBY. I think the general manager of the Michigan Co. stated they had no Japanese labor in the Michigan fields; do you know anything about the conditions there which would tend to contradict that statement?

Mr. SPRECKELS. May I look at that statement in the record? I was under the impression he stated they had Russians there.

Mr. MALBY. Am I not correct about that?

Mr. RAKER. He claimed there were no Japanese, except a very few.

Mr. MALBY. And he stated they did have some Russians, who were experts, and who came there from New Orleans.

Mr. SPRECKELS. And some Japanese were there?

Mr. RAKER. I understood there were a few there.

Mr. SPRECKELS. That is my impression.

Mr. MALBY. It was my impression he said there were a few—none, or practically none, in Michigan.

Mr. SPRECKELS. Well, they have not all come over from Japan yet. They will get there in time.

Mr. MALBY. Well, I am not objecting to your adding anything you wish about the labor question.

Mr. RAKER. I understood from Mr. Warren's testimony that a good many were imported and went to Michigan, but he denied they were imported for the purpose of going to Michigan.

Mr. MALBY. No, Judge Raker, he did not make that statement. He most vociferously denied that statement.

Mr. RAKER. I say that he denied the statement absolutely.

Mr. MALBY. Now, Mr. Spreckels, let us see how this labor question differs. What is the character of the laborers you employ in your own refinery?

Mr. SPRECKELS. Largely Germans.

Mr. MALBY. Well, who else?

Mr. SPRECKELS. I think most of them are American citizens.

Mr. MALBY. Well, I am not asking whether they are now American citizens or not.

Mr. SPRECKELS. European labor exclusively, if that is what you want to know.

Mr. MALBY. European labor, and some from Poland?

Mr. SPRECKELS. I dare say.

Mr. MALBY. Commonly called Pollacks?

Mr. SPRECKELS. Yes, sir. Possibly we have a few.

Mr. MALBY. And some Italians?

Mr. SPRECKELS. We may have a few, but I do not think we have any Italians.

Mr. MALBY. Well, that is what other people have—a few.

Mr. SPRECKELS. I dare say there might be a few.

Mr. MALBY. In fact, you do not inquire about the nationality of a man if he is fit for the job?

Mr. SPRECKELS. No, sir; so long as he looks white.

Mr. MALBY. And acts white?

Mr. SPRECKELS. And acts white, and does his day's labor.

Mr. MALBY. And the system you adopt is, so far as you know, adopted by all the other refiners in the country, if a man is fit for his job he is given employment?

Mr. SPRECKELS. Yes.

Mr. MALBY. If you have employment to give, regardless of the land of his nativity or when he came here?

Mr. SPRECKELS. I would like to supplement that statement by saying I am not asking for protection for my labor. Because we can pay them the same wages without protection.

Mr. MALBY. Well, I congratulate you that that is so.

Mr. SPRECKELS. Thank you.

Mr. RAKER. How many Chinamen have you employed in your institution?

Mr. SPRECKELS. We have never had one.

Mr. MALBY. I think it is also in evidence that so far as factory help is concerned, in all parts of the United States, the Japanese and the Hindu are practically excluded, and that their activities are confined to the fields. So far as your observation goes, is that correct?

Mr. SPRECKELS. I have not been in the beet factories in this country, but in the cane factories in Hawaii they employ Japanese and the Hawaiians.

Mr. MALBY. I am not talking about Hawaii.

Mr. SPRECKELS. It is a part of the United States.

Mr. MALBY. Hawaii is a long ways off. I am talking about the continent of the United States, and we will exclude Hawaii. It has

been testified to that in the factories, wherever located throughout the Union, California and all——

Mr. SPRECKELS (interposing). That may be true. I will not dispute it.

Mr. MALBY (continuing). That the Japanese and the Hindus are not employed.

Mr. SPRECKELS. I will not dispute that.

Mr. MALBY. I am asking you whether you have any knowledge to dispute that fact.

Mr. SPRECKELS. I have no personal knowledge on it.

Mr. MALBY. Now, Mr. Spreckels, I have asked you and you have not as yet been able to furnish us with the London wholesale prices of refined sugars. Now, inasmuch as that seems to be a matter of importance, and Mr. Atkins has furnished the American prices since 1885, I was wondering if you had any way of giving us the London prices from 1885 down to the present time.

Mr. SPRECKELS. I have, and I intend to compile them for the committee.

Mr. MALBY. I hope you will not forget that.

Mr. SPRECKELS. But, as you are aware, I have not had the opportunity of going down to the office to do that.

Mr. MALBY. I wanted to fix the date, because the date fixed by Mr. Atkins seems to be 1885, with reference to the American prices, and I would like to get the corresponding London prices.

Mr. SPRECKELS. I have already made a memorandum of that.

Mr. HINDS. Mr. Chairman, Mr. Truman Palmer has compiled a statement of prices, and I would suggest that we call him to swear to this table, and then ask Mr. Spreckels to make a criticism of it, or to make such suggestions as he may want to make, as to whether the basis of comparison is right, and the system of computation is right.

The CHAIRMAN. Yes; we can do that.

Mr. SPRECKELS. I am perfectly willing that you should do that. I would like to say that I have got the capitalization of the Hawaiian Sugar Co. which was referred to this morning, and it is not two and one-half millions, but it is $10,000,000.

Mr. MALBY. Then you think that is a mistake?

Mr. SPRECKELS. There is some mistake about that. I do not know what it is. I asked Alexander & Baldwin, the principal owners, and their answer came back that it was $10,000,000.

TESTIMONY OF MR. TRUMAN G. PALMER.

(The witness was duly sworn by the chairman.)

The CHAIRMAN. Mr. Palmer, what is your name?

Mr. PALMER. Truman G. Palmer.

The CHAIRMAN. Your address?

Mr. PALMER. Chicago, Ill.

The CHAIRMAN. Your occupation?

Mr. PALMER. I am a student of sugar statistics and sugar economics.

The CHAIRMAN. Have you any present connection with the sugar business?

Mr. PALMER. Yes, sir.

The CHAIRMAN. What is it?
Mr. PALMER. I am employed by the beet-sugar people.
The CHAIRMAN. You are their expert, so to speak?
Mr. PALMER. I am their student of sugar statistics.
The CHAIRMAN. You are their statistical expert? I simply use the term "expert" to get before the committee as to what your position is. What is this paper?
Mr. PALMER. That is a table compiled from C. Czarnikow's Weekly Price Current of London, and from Willett & Gray's Weekly, to show the price of refined sugar, week by week, during the year 1910.
The CHAIRMAN. Are these the wholesale prices?
Mr. PALMER. Yes.
The CHAIRMAN. In London?
Mr. PALMER. In London and in New York.
The CHAIRMAN. Is the export price in London given here?
Mr. PALMER. No, sir.
The CHAIRMAN. You have not those figures?
Mr. PALMER. No, sir.
The CHAIRMAN. Is the Hamburg export price in here at all?
Mr. PALMER. No, sir; that is the London price.
The CHAIRMAN. In other words, what the consumer in England would pay?
Mr. PALMER. Yes; what the wholesale grocer would pay.
The CHAIRMAN. After they have paid the English duty?
Mr. PALMER. Yes, sir.
The CHAIRMAN. You have not got the export English price?
Mr. PALMER. No, sir; I have not.
The CHAIRMAN. Do you know what the English duty is?
Mr. PALMER. Yes, sir; the highest English duty is on 98-degree sugar, and it is 1 shilling 10 pence per hundredweight, which is 112 pounds.
The CHAIRMAN. Now, reduce that to the American equivalent.
Mr. PALMER. 39.3 cents per hundred pounds.
The CHAIRMAN. As I understand, this does not show at what we could buy that sugar in London or Hamburg?
Mr. PALMER. It has nothing to do with Hamburg.
The CHAIRMAN. It is just a comparison of what it costs the English consumer as compared with the American consumer?
Mr. PALMER. Yes, sir. I have given there the price of Tate's cubes and Lyle's granulated.
The CHAIRMAN. Are they supposed to be equivalent to our granulated sugar?
Mr. PALMER. Lyle's granulated is equivalent to standard refined sugar in this country. The sugar most commonly used in England is Tate's cubes, but Tate's cubes are higher than Lyle's granulated sugar. You will notice at the bottom there the difference.
The CHAIRMAN. Yes; these differences at the bottom are figured on account of the differences in the grade of sugar?
Mr. PALMER. Yes, sir; in the way it is put up.
The CHAIRMAN. Tate's cubes is the American sugar?
Mr. PALMER. No, sir; those are Tate's cubes, made in London.
The CHAIRMAN. Tate's cubes is an English sugar?
Mr. PALMER. Yes, sir.

The CHAIRMAN. And Lyle's granulated is the American or its equivalent?

Mr. PALMER. It is English, but equivalent to American granulated.

The CHAIRMAN. And Tate's cube is higher than Lyle's granulated?

Mr. PALMER. Yes, sir.

The CHAIRMAN. And the real equivalent of the ordinary American granulated is Lyle's granulated?

Mr. PALMER. Yes, sir.

Mr. SPRECKELS. May I suggest that you ask the witness whether it is the same style of package put up in this country?

The CHAIRMAN. Yes; I will ask that question. Is there any difference in the way the packages are put up in this country?

Mr. PALMER. I do not know how they are put up in England.

The CHAIRMAN. Well, that might make a very material difference.

Mr. PALMER. Those are the wholesale prices. They are not package prices. They are wholesale prices by the hundred pounds.

Mr. SPRECKELS. Are they in barrels or in bags or packages or cartons?

Mr. PALMER. It is not carton sugar.

The CHAIRMAN. It might be packed, even if sold at wholesale, in a number of different ways?

Mr. PALMER. Yes, sir.

The CHAIRMAN. And the method of packing might affect very materially the price?

Mr. PALMER. There are only two ways of packing sugar generally, except in small packages—that is, in barrels and bags—and the price of the two is very nearly the same.

The CHAIRMAN. However, you do not know which this is?

Mr. PALMER. No.

Mr. HINDS. Are not those quotations just like the quotations of Willett & Gray's?

Mr. PALMER. The same thing.

The CHAIRMAN. Do Willett & Gray make an allowance for the way sugar is packed?

Mr. PALMER. They give a long list of sugars.

The CHAIRMAN. And they give the different figures?

Mr. PALMER. Yes, sir.

The CHAIRMAN. That is not done in this table. You say the English figures are taken from an English journal?

Mr. PALMER. Yes, sir.

The CHAIRMAN. And the American figures are taken from Willett & Gray?

Mr. PALMER. Yes, sir.

The CHAIRMAN. Willett & Gray give a different price for almost every kind of way sugar is packed and sold?

Mr. PALMER. Yes.

The CHAIRMAN. Does the English periodical do that?

Mr. PALMER. I do not think so.

The CHAIRMAN. And these figures are not given with reference to that difference?

Mr. PALMER. No, sir.

The CHAIRMAN. Is English sugar put up in hogsheads? The question is suggested by one of my colleagues. Do you know whether or not the English sugar quoted here is put up in hogsheads?

Mr. PALMER. I think it is in hogsheads, but I am not certain.

Mr. MALBY. Mr. Palmer, what I would like to know about this is, you have produced here a table of English wholesale prices of sugars which are the equivalent of the granulated sugar in this country, have you not?

Mr. PALMER. Yes, sir.

Mr. MALBY. And these are the English wholesale prices on sugar which correspond with the granulated in the United States?

Mr. PALMER. Yes, sir. Lyle's granulated is the same as our granulated.

Mr. MALBY. These tables cover what period of time?

Mr. PALMER. The calendar year of 1910.

Mr. MALBY. The American prices are taken from Willett & Gray's Weekly, are they not?

Mr. PALMER. They are.

Mr. MALBY. And the other prices are taken from C. Czarnikow?

Mr. PALMER. Yes.

Mr. MALBY. Czarnikow's weekly price list corresponds in London with Willett & Gray's compilation in this country, does it not?

Mr. PALMER. I should not say it occupies a position by itself to such an extent as Willett & Gray in this country.

Mr. MALBY. Is it regarded as an authority?

Mr. PALMER. Yes; Czarnikow is the largest sugar broker in the world, or said to be.

Mr. MALBY. I notice here at the bottom of the column headed "Lyle's granulated, per 100 pounds," the figures 72. What does that indicate?

Mr. PALMER. That indicates that, taking the year, Lyle's granulated was 72 cents per 100 pounds under the New York wholesale price.

Mr. MALBY. I notice under the head "Tate's cube," the figures 36. What does that indicate?

Mr. PALMER. That indicates Tate's cubes were 36 cents under the New York price and market.

Mr. MALBY. I notice under the heading, "New York price, standard granulated, per 100 pounds," the figures 4.96. What does that indicate?

Mr. PALMER. That is the average price for the year.

Mr. MALBY. I notice under the heading, "Lyle's granulated, per hundredweight 112 pounds, per 100 pounds," the figures 4.24. What does that indicate?

Mr. PALMER. That is the average price for the year of Lyle's granulated.

Mr. MALBY. I notice under the heading "Tate's cubes, per hundredweight 112 pounds, per 100 pounds," the figures 4.60. What does that indicate?

Mr. PALMER. That is the average annual price for Tate's cubes.

Mr. MALBY. Have you made a compilation of the difference in wholesale prices between Great Britain and the United States?

Mr. PALMER. Yes, sir.

Mr. MALBY. Have you a copy of those?

Mr. PALMER. I have not a copy of that, but I have some of those figures here.

Mr. MALBY. I want to be very brief about it. Will you give to the committee briefly your results? Assuming that the American purchaser had been favored with the English wholesale price throughout the year, how much more would he have had to pay, with the duty as it is, and what it would have been if it had been entirely removed?

Mr. PALMER. Taking Lyle's granulated, it sold for 72 cents a hundred pounds less than American granulated, and allowing that the British duty raised the price of that sugar to the full extent of the maximum duty of 39.3 cents, then the sugar in this country cost more than it did in the United Kingdom by 1.113 cents.

Mr. HINDS. More than it would have cost in the United Kingdom if they had had no duty?

Mr. PALMER. No; not figuring any difference in their duty. I am figuring to see what we are paying, because of our duties.

Mr. MALBY. If we had had to pay their price free of all duties?

Mr. PALMER. Yes, sir. Applying that 1.113 per 100 pounds to our total consumption in 1910 of 3,282,938 tons——

Mr. MALBY (interposing). Gross tons?

Mr. PALMER. Yes, sir; gross tons—would amount to $81,843,644. From that we should deduct the estimated amount of duty acquired on sugar, amounting to $51,771,000, which would leave $30,052,000 as the total amount which the duty on sugar is costing the people, net.

Mr. MALBY. That is in case they paid all the duty which is now actually imposed according to the London prices?

Mr. PALMER. Yes, sir.

Mr. MALBY. That is, if our people got the sugar just as cheap as the British subjects get it——

Mr. PALMER (interposing). They would save $30,000,000.

Mr. MALBY. Taking the duty all off——

Mr. PALMER (interposing). Every bit of it, taking it all off.

Mr. SPRECKELS. We then would be buying sugar nevertheless considerably cheaper than the British subject would, because they would have a duty to pay in addition to that.

Mr. PALMER. Yes, sir.

The CHAIRMAN. As much as their duty would amount to?

Mr. PALMER. It is 39 cents a hundred.

Mr. MALBY. According to his compilation, you would take the duty off when you compute it as to the cost to the citizens of the United States, whereas, as a matter of fact, it is on when consumed by the British subject?

Mr. PALMER. Yes, sir.

Mr. MALBY. There is another matter, while you are on the stand—because I am going away to-night, and I want to call the attention of the committee to that fact—and that is this:

Have you communicated with the various beet-sugar refining factories in the United States for the purpose of ascertaining the character of their labor in the factories?

Mr. PALMER. Yes, sir.

Mr. MALBY. Have you such a statement before you?

Mr. PALMER. I have not before me. I have it in Washington.

Mr. MALBY. You have it in Washington?

Mr. PALMER. I have it in substance in my mind.

Mr. MALBY. What do you suggest, Mr. Chairman? Shall we have him give the substance or the facts?

The CHAIRMAN. We have a witness waiting who was interrupted in the middle of his examination, you know.

Mr. RAKER. As a matter of fact, Mr. Chairman, I feel that in addition to this we have got to go into this matter with someone that has been on the ground and knows these facts.

The CHAIRMAN. I think it is proper for him to tell substantially what he remembers, if he wants to.

Mr. HINDS. Briefly.

Mr. MALBY. Yes, briefly; what is it?

Mr. PALMER. When Mr. Lowry's circular came out, stating that the labor employed in the factories and in the fields for the beet-sugar people was practically all Japanese, I immediately sent a blank to every company west of the Missouri River. I have received replies from 37, all but 3, as I recollect. Summing those up, there were exactly 7,800 people employed in those factories reporting, and there happened to be exactly 78 Asiatics out of the 7,800.

The CHAIRMAN. That is factory labor?

Mr. PALMER. Yes.

Mr. MALBY. Yes, as I understand, this was factory labor.

The CHAIRMAN. This was not field labor?

Mr. PALMER. No.

The CHAIRMAN. Nobody has ever made any contention about that.

Mr. PALMER. Mr. Lowry made that statement in his illustrated circular, that in both field and factory were these laborers employed, and that it was carefully concealed.

The CHAIRMAN. In his testimony he stated it was only the field labor.

Mr. PALMER. I did not hear that.

Mr. MALBY. That was the result of your inquiry, so far as factory labor was concerned?

Mr. PALMER. Yes.

Mr. MALBY. It was obtained in the method which you have described?

Mr. PALMER. Yes, sir. I will submit the blanks to the committee if they desire.

Mr. MALBY. What further inquiries did you make, if any?

Mr. PALMER. As to the field labor, I can not give the exact figures, because they did not happen to come out in exact percentage as the factory labor did. It seemed remarkable it should be exactly 1 per cent. Of the field labor furnished by factories to farmers, there were less than 2,000 and more than 1,500 white laborers furnished farmers, and less than 1,000 Asiatics furnished farmers.

The CHAIRMAN. About one-third, or something like that?

Mr. PALMER. Yes, sir.

Mr. SPRECKELS. But they buy these beets that are raised by Japanese companies.

Mr. MALBY. Did you also make inquiry as to what price they pay for field labor?

Mr. PALMER. Yes, sir.

Mr. MALBY. Do you remember about that?

Mr. PALMER. As I remember, I think $1.60 a day was the lowest one and $2.50 the highest. The wage rates for Asiatics and whites were practically the same.

Mr. MALBY. Have you any further data? Did you receive any further data?

Mr. PALMER. Yes, sir.

Mr. MALBY. What was it, briefly?

Mr. PALMER. I asked what was the percentage of Asiatic labor employed in their vicinity irrespective of factories. You would have to take that up one by one. It runs all the way from a fraction of 1 per cent up to as high as 25 per cent.

Mr. MALBY. In other words, indicating that the beet-sugar industry did not have a total monopoly in the employment of Asiatic labor?

Mr. PALMER. Yes.

Mr. MALBY. I think that is all, Mr. Chairman, and so far as I am concerned that is all with Mr. Spreckels, except this——

The CHAIRMAN (interposing). I want to ask this witness some questions. I was in hopes you would not do anything but put in this table; but now that you have him here and he has testified to a lot of things that have been written to him by people that have an interest and were not sworn, I want to get into those things myself, because so far we have been getting these things from sworn testimony and not from bare reports rendered from an agent.

Mr. HINDS. My only object was to have Mr. Spreckels's criticism on them, so we could rectify our judgment.

The CHAIRMAN. We are not like a jury.

Mr. HINDS. Mr. Palmer could be cross-examined in Washington.

The CHAIRMAN. I think this is reliable, but his statement about what these people have written him on blanks about how much labor they have and that sort of thing——

Mr. MALBY (interposing). We can take it for what it is worth. I do not think we are concluded by this testimony on the matter.

The CHAIRMAN. I do not think it is any testimony at all on the matter.

Mr. MALBY. At the same time it is better than somebody that had not been there at all.

Mr. RAKER. Of course, I have listened and said nothing thus far about this matter. Personally I would like to go into that matter as to the individuals and the statements made.

The CHAIRMAN. We will have Mr. Palmer when we get back to Washington and put him on the stand and go through this matter fully. I will only question him now briefly.

Mr. RAKER. Before you pass on this—what about this testimony as to labor conditions, and so forth?

The CHAIRMAN. I can only say that to my mind it is not worth anything.

Mr. RAKER. But it is given here and will be used as "this is the condition." Individually, and as to the conditions existing, of course I can not submit that that is the fact without an examination as to its source and its condition.

The CHAIRMAN. Of course, we have not held down strictly to the rules of evidence. We have heard hearsay evidence on the theory that most of the members of the committee are trained legislators

and trained lawyers, and that we know how to separate the chaff from the wheat.

Mr. RAKER. We will have an opportunity to cross examine this gentleman later?

The CHAIRMAN. Yes, in Washington.

Mr. PALMER. You say this is the London wholesale price?

Mr. PALMER. Yes, sir.

The CHAIRMAN. Is there any considerable difference between Lyle's granulated and the ordinary granulated in America, and is not the real test of the refined sugar prices the export prices at Hamburg and London?

Mr. PALMER. I should say not.

The CHAIRMAN. Is there any difference between the export prices at London and these wholesale London prices you have given us?

Mr. PALMER. I have not examined the export prices.

The CHAIRMAN. Is there any difference? Tell me the fact about that.

Mr. PALMER. I do not know.

The CHAIRMAN. You do not know?

Mr. PALMER. No, sir; I do not know.

The CHAIRMAN. You do not know about any, either this year or any year?

Mr. PALMER. No.

The CHAIRMAN. You have seen put in this record the export prices for a number of years at Hamburg and London?

Mr. PALMER. I have seen the Hamburg prices.

The CHAIRMAN. And the London figures too, if you have read the record closely.

Mr. PALMER. I did not notice that.

The CHAIRMAN. The export prices are prices that vary very materially?

Mr. PALMER. Yes, they naturally would.

The CHAIRMAN. In other words, the London export prices are much lower than these London wholesale prices which you have given us?

Mr. PALMER. That should be the——

The CHAIRMAN (interposing). If we are buying sugar on the London market, we would be governed by the export prices and not the London wholesale or retail prices?

Mr. PALMER. That is true.

The CHAIRMAN. Does the Sugar Trust—and when I say that I mean the American Sugar Refining Co. or any of the other big refineries—export any sugar into London?

Mr. PALMER. I do not think so.

The CHAIRMAN. If an American purchaser—in other words, if Mr. Spreckels, of the Federal, were going to buy sugar in London or Hamburg, he would not take the local price, either wholesale or retail, but would take the export price, would he not?

Mr. PALMER. He would buy raw sugar; he would not buy raw sugar in London. He would buy that in Hamburg.

The CHAIRMAN. Do you say that is true, as a matter of fact?

Mr. PALMER. That is the natural place where he would buy it.

The CHAIRMAN. Hamburg may be the real market, but it is a fact, is it not, that most of the sugar that is bought and imported into this country is bought in London and delivered from Hamburg?

Mr. PALMER. Bought through London.

The CHAIRMAN. That is to say, the trade is made in London?

Mr. PALMER. Yes.

The CHAIRMAN. And the Hamburg agents are notified, and the sugar shipped out from Hamburg?

Mr. PALMER. Yes, sir.

The CHAIRMAN. And the export price at Hamburg and London is the price we have to figure on, is it not?

Mr. PALMER. They figure on the Hamburg price.

The CHAIRMAN. The export price at Hamburg?

Mr. PALMER. Yes.

The CHAIRMAN. I do not want to say anything you do not agree to fully. That you have not undertaken to give here?

Mr. PALMER. No, sir.

The CHAIRMAN. This is to show merely what the sugar cost the English consumer?

Mr. PALMER. Yes, sir.

The CHAIRMAN. This is Lyle's sugar and Tate's sugar and carries a duty of 40 cents a hundred under the English system?

Mr. PALMER. Yes, sir.

The CHAIRMAN. So, if all question of the tariff were eliminated on both sides of the pond, you would take off that 40 cents from these prices and get at their real prices, would you not?

Mr. PALMER. Oh, yes.

The CHAIRMAN. That would have to be added to your calculation then?

Mr. PALMER. No, I did add that in my calculation.

Mr. MALBY. That is what I understood him to do.

The CHAIRMAN. Have you undertaken to make these figures for a series of years?

Mr. PALMER. No, I have not.

The CHAIRMAN. Just for one year only?

Mr. PALMER. I did not happen to have the Czarnikow circulars for a series of years back. This has nothing to do with showing what we could or could not buy sugar for. It was simply what they are paying for sugar, what the consumer pays in Great Britain.

The CHAIRMAN. I am looking at this thing from the standpoint of the American consumer only. If you do that, you would take the export prices instead of these prices you have given? You would take the Hamburg export prices for this year, would you not?

Mr. PALMER. There is another error you are likely to fall into on the Hamburg export price. The German and Austrian granulated sugars are not worth as much money as the American granulated or Lyle's granulated.

The CHAIRMAN. And these English sugars are worth more?

Mr. PALMER. Not more than the American.

The CHAIRMAN. Not more than the average American granulated?

Mr. PALMER. Not more than the standard granulated.

The CHAIRMAN. You heard Mr. Thomas's testimony, did you not?

Mr. PALMER. I heard a portion of it.

The CHAIRMAN. And you heard him make allowance for that difference in grade at Hamburg, did you not, in the calculation he submitted?

Mr. PALMER. I do not remember of his making it.

The CHAIRMAN. He did make it.

Mr. PALMER. I know the Department of Agriculture makes a difference of 15 cents a hundred.

The CHAIRMAN. I think they make 25 cents; that is my recollection. I know he made an allowance in that calculation which he submitted. You would say 25 cents was full liberal, would you not?

Mr. PALMER. Yes; I should.

The CHAIRMAN. Figuring that difference, the Hamburg price would be the real thing that ought to be the measure of interest to the American consumer?

Mr. PALMER. If you figure only from the American consumers' standpoint.

The CHAIRMAN. That is what I say. Figuring on that basis, do you mean to say that $80,000,000 a year is all the difference has been on the account of the tariff?

Mr. PALMER. For the same grade of sugar.

The CHAIRMAN. You do say that? You take the Hamburg prices for 1910 and put your reputation as a sugar statistician on that statement?

Mr. PALMER. I am not taking Hamburg.

The CHAIRMAN. Making the allowance—taking the Hamburg export price, which you say is a proper price, and looking at it solely from the standpoint of the interest of the American consumer, and taking the Hamburg export price for 1910 as a basis, with proper allowance for the small difference which you say the Department of Agriculture figures at 15 cents on account of difference in the grades of sugar—would you say $80,000,000 is all the tariff had cost the American consumers?

Mr. PALMER. I can not say that until I have figured it out.

The CHAIRMAN. It figures out on that basis, which, it seems to me, is the true basis, though other members of the committee might think differently.

We will excuse you, Mr. Palmer, and will hear from you further at Washington later.

(Witness excused.)

Difference between New York and London wholesale price of refined sugar.

[London prices from C. Czarnikow's Weekly Price Current. New York prices from Willett & Grays' Weekly. Compiled by Truman G. Palmer.]

Year.	London prices.				New York price.	Difference between New York granulated and—	
	Tate's cubes.		Lyle's granulated.		Standard granulated.	Tate's cubes.	Lyle's granulated.
	Per hundredweight (112 pounds).	Per 100 pounds.	Per hundredweight (112 pounds).	Per 100 pounds.	Per 100 pounds.	Per 100 pounds.	Per 100 pounds.
1910.	s. d.		s. d.				
Jan. 6	21 1½	$4.527	19 1½	$4.098	$4.80	$0.27	$0.71
13	21 7½	4.634	19 4½	4.152	4.90	.27	.75
20	21 6	4.607	19 3	4.125	4.90	.30	.78
27	21 6	4.607	19 3	4.125	4.90	.30	.78
Feb. 3	21 6	4.607	19 4½	4.152	4.90	.30	.75
10	21 6	4.607	19 4½	4.152	4.90	.30	.75
17	21 9	4.661	19 7½	4.205	4.90	.24	.70
24	22 3	4.768	20 0	4.285	5.00	.23	.71
Mar. 3	22 9	4.875	20 7½	4.419	5.10	.22	.69
10	23 3	4.982	20 10½	4.473	5.20	.22	.74
17	23 3	4.982	20 10½	4.473	5.20	.22	.74
24	23 3	4.982	21 0	4.50	5.20	.22	.71
31	23 4½	5.009	21 1½	4.527	5.10	.09	.58
Apr. 7	23 4½	5.009	21 3	4.554	5.10	.09	.56
14	23 1½	4.955	21 0	4.50	5.05	.10	.56
21	22 10½	4.901	21 0	4.50	5.10	.19	.61
28	22 10½	4.901	21 1½	4.527	5.10	.19	.58
May 5	23 1½	4.955	21 6	4.607	5.05	.10	.45
12	23 3	4.982	21 7½	4.634	5.20	.22	.57
19	23 3	4.982	21 7½	4.634	5.20	.22	.57
26	23 5	5.035	22 0	4.713	5.20	.16	.49
June 2	23 3	4.982	21 9	4.661	4.95	—.03	.29
9	23 0	4.927	21 6	4.607	5.10	.17	.50
16	22 9	4.875	21 3	4.554	5.10	.23	.55
23	22 9	4.875	21 1½	4.527	5.10	.23	.57
30	22 9	4.875	21 4½	4.580	5.00	.13	.42
July 7	22 9	4.875	21 4½	4.580	5.05	.18	.47
14	22 9	4.875	21 3	4.554	5.05	.18	.50
21	22 9	4.875	21 3	4.554	5.10	.23	.55
28	22 9	4.875	21 4½	4.580	5.10	.23	.52
Aug. 4	22 9	4.875	21 6	4.607	5.05	.18	.45
11	23 0	4.927	22 0	4.713	5.10	.17	.41
18	23 0	4.927	22 0	4.713	5.10	.17	.41
25	23 0	4.927	21 9	4.661	5.20	.27	.54
Sept. 1	22 6	4.821	21 3	4.554	5.20	.38	.65
8	22 6	4.821	21 0	4.50	5.00	.18	.51
15	22 0	4.713	20 0	4.285	5.00	.29	.71
22	21 6	4.607	19 9	4.232	5.00	.40	.77
29	21 0	4.500	19 0	4.071	5.00	.51	.93
Oct. 6	20 0	4.285	18 0	3.857	5.00	.71	1.15
13	19 6	4.178	18 0	3.857	4.85	.67	1.00
20	19 0	4.071	18 0	3.857	4.76	.69	.89
27	18 6	3.964	16 9	3.598	4.70	.74	1.11
Nov. 3	17 9	3.803	16 3	3.482	4.55	.75	1.07
10	17 9	3.803	16 3	3.482	4.55	.75	1.07
17	17 9	3.803	16 3	3.482	4.55	.75	1.07
24	17 9	3.803	16 3	3.482	4.55	.75	1.07
Dec. 1	17 6	3.750	16 3	3.482	4.55	.80	1.07
8	17 6	3.750	16 3	3.482	4.55	.80	1.07
15	17 6	3.750	16 3	3.482	4.75	.80	1.27
22	17 6	3.750	16 3	3.482	4.75	.80	1.27
29	17 6	3.750	16 3	3.482	4.75	.80	1.27
		4.60		4.24	4.96	.36	.72

TESTIMONY OF MR. CLAUS AUGUSTUS SPRECKELS—Continued.

The CHAIRMAN. Mr. Spreckels, gentlemen of the committee, has called my attention to a statement in Willett & Gray's statistical journal.

Mr. SPRECKELS. You just heard the statement that Mr. Palmer made that there were no sugars exported to England from this country.

Mr. MALBY. That was simply the expression of a view, I take it.

Mr. SPRECKELS. Willett & Gray's circular, under date of March 31, 1910, says:

Sales during the past fortnight of granulated for export to the United Kingdom amounts to about 250,000 bags, 100 pounds each, the price for the most part of it being 3.60 in bond f. o. b. New York.

Mr. MALBY. Where do you think that came from, Mr. Spreckels, that export sugar? Who sold it?

Mr. SPRECKELS. The Federal sold some, and the American Sugar Refining Co. sold very largely.

Mr. MALBY. That would seem to indicate sugar in England at that time was about as high as in the United States, would it not?

Mr. SPRECKELS. No; because you get a drawback.

The CHAIRMAN. Was there a drawback? Adding that drawback to the 3.65, let us know what that is.

Mr. SPRECKELS. 5.55.

The CHAIRMAN. What did you realize for it in England?

Mr. SPRECKELS. 3.65 f. o. b. plus the drawback.

The CHAIRMAN. In other words, you get from England 3.65 and from the Government the duty, and the two things together made the total which you got out of the sugar.

Mr. SPRECKELS. Precisely.

Mr. MALBY. I have discovered that whether it is on sugar value or not, almost on every article in common use, butter and cheese and sugar, for instance, strange as it may seem, it does not make any difference what the tariff is, there is a little exported from one country to the other. For instance, I saw the other day, in a speech made by one of the United States Senators, there was imported into Canada, as I recall, 26,000 pounds of cheese, yet there was exported from Canada more than 900,000 pounds of cheese to the United States. Some person has a notion he wants American cheese, and will buy it, no matter what the price is.

Mr. Spreckels, there is one question I want to ask about this exhibit offered by Mr. Palmer, and I do not know that you are able to tell me even that—as to whether or not you concur that these are the wholesale prices in England during the year 1910.

Mr. SPRECKELS. No, sir; I do not concur in it because I do not know. I did not make up the statement. I am willing to make up my own statements.

Mr. MALBY. Do you concur with Mr. Palmer about the grades being the same?

Mr. SPRECKELS. No, sir; I do not.

Mr. MALBY. You do not concur?

Mr. SPRECKELS. No, sir; I do not, nor as to the size of the packages, both being different.

Mr. MALBY. I do not know that he spoke about packages.

Mr. SPRECKELS. I think he said so.

Mr. MALBY. Let us take one thing at a time. His statement was that the Lyle's granulated in England corresponded with what is called the standard granulated in the United States. Do you agree with that statement?

Mr. SPRECKELS. I do not.

Mr. MALBY. What is the difference?

Mr. SPRECKELS. In the first place, Lyle's sugar and also Tate's sugar are more or less proprietary brands, and the grades are quite different, and are not the same grades of sugar as used in this country.

Mr. MALBY. What do you mean by "proprietary brands"?

Mr. SPRECKELS. The name of Tate's will command a higher price than anyone's else, because in Europe hundreds of factories——

Mr. MALBY (interposing). Is that also true about Lyle's granulated?

Mr. SPRECKELS. Yes, sir; both.

Mr. MALBY. You think that commands a higher price?

Mr. SPRECKELS. By reason of being Lyle's.

Mr. MALBY. That commands a higher price than the standard granulated?

Mr. SPRECKELS. If you marked that same sugar with the name of "John Smith's refinery" on it, I dare say you would not get within a quarter of a cent of a pound on it.

Mr. MALBY. Let me ask this question: What standard of granulated sugar in England does correspond with the standard granulated of the United States? What is that brand?

Mr. SPRECKELS. None. I have not seen any in Europe, and I have traveled very extensively——

Mr. MALBY (interposing). Then, when we are trying to ascertain what is the wholesale price in London, or the wholesale price in Hamburg, so as to compare it with the American price, what grade or character or name of sugar do we search for in order to make that comparison?

Mr. SPRECKELS. German granulated. The Hamburg market is the market.

Mr. MALBY. Is there a market for German granulated?

Mr. SPRECKELS. Yes.

Mr. MALBY. But, suppose we wanted to make a comparison with the English market, because all the other witnesses have referred to London as being the world's market, what do we call for there?

Mr. SPRECKELS. You have not got the identical thing. You have not got it in England.

Mr. MALBY. Do you say there is nothing at all to make comparison with?

Mr. SPRECKELS. None that I have ever seen in England.

Mr. MALBY. That is your judgment about the matter?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. Is not Lyle's the nearest to it?

Mr. SPRECKELS. No; I do not think so. Not what I have seen of it.

Mr. MALBY. Well, here is what is called the standard medium granulated. Does that more correctly represent it?

Mr. SPRECKELS. I do not know. That is merely a name. I would have to see the grade of sugar to compare. I can not tell by name.

Mr. MALBY. You do not recognize the brand by the name? Here also is a quotation for "fine granulated." Are you familiar with that, or what that has reference to?

Mr. SPRECKELS. Yes, sir; in the American market, you mean? If so, I do.

Mr. MALBY. Of course, the granulated sugar you buy in Hamburg is beet sugar; all from beets.

Mr. SPRECKELS. It is beet sugar.

Mr. MALBY. It is sold at a less price in this country at wholesale and retail also.

Mr. SPRECKELS. Raw sugar, but not refined. There is a distinction between refined sugar and the wash sugar, if that is what you have reference to.

Mr. MALBY. I have reference to this: Is it not a fact that in this country refined beet sugar sells for a less price than refined cane sugar?

Mr. SPRECKELS. So-called refined, but they do not refine sugar to my way of thinking of refining. Strictly speaking, they are not refined sugars, but they are wash sugars. There is a distinction.

Mr. MALBY. Whatever sugar they put upon the market they call it the beet granulated sugar?

Mr. SPRECKELS. Beet granulated sugar does not compare with the refined sugar, and they make a difference in the price generally of 10 cents per 100 pounds.

Mr. MALBY. I think the testimony is from 10 to 20 cents.

Mr. SPRECKELS. I have seen it 10 to 20 to 30, but be that as it may, there is a concession.

Mr. MALBY. I am not speaking as to the quality, but the American beet sugar is the same as the German beet sugar, is it not?

Mr. SPRECKELS. Yes, sir.

Mr. MALBY. So there will be no question about that.

Mr. SPRECKELS. No; you can compare the two. That is the only comparison you can make between the two, and for that you have to go to Hamburg and not to London.

Mr. MALBY. I think all the witnesses, as I recall it, referred to the London price.

Mr. SPRECKELS. Of course, they naturally want to refer to the most favorable point. They are putting in their side of the story.

Mr. MALBY. However, the London price is really the German sugar, is it not?

Mr. SPRECKELS. No.

Mr. MALBY. Where do they get their sugar? They do not raise any of their own?

Mr. SPRECKELS. They refine it. Tate's refine sugar and Lyle's refine sugar, and in addition to that an enormous amount comes from Germany in the shape of what I call wash sugar.

Mr. MALBY. I think that is all, Mr. Chairman.

The CHAIRMAN. A good many references, Mr. Spreckels, has been made during this hearing to London prices, and I think Mr. Lowry, for instance, from your concern, said they bought through London when they bought, and the deliveries were made from Hamburg?

Mr. SPRECKELS. The delivery is made from Hamburg.

The CHAIRMAN. Although the contract might be made with a London broker?

Mr. SPRECKELS. Yes, to buy the raw sugars.

The CHAIRMAN. Do you buy from London or Hamburg?

Mr. SPRECKELS. We buy through London and ship from Hamburg.

The CHAIRMAN. You buy through London and ship from Hamburg?

Mr. SPRECKELS. Yes.

The CHAIRMAN. And it is German beet sugar?

Mr. SPRECKELS. Yes.

The CHAIRMAN. You do not buy refined sugar at all?

Mr. SPRECKELS. No, sir.

The CHAIRMAN. But you were in the business of refining?

Mr. SPRECKELS. We do our own refining.

The CHAIRMAN. Is any considerable amount of granulated imported into this country—standard granulated or refined, or its equivalent?

Mr. SPRECKELS. It is so infinitesimal—I think less than 1,000 tons per annum.

The CHAIRMAN. The treasurer says it raises about $80,000 of revenue?

Mr. SPRECKELS. I do not think it is that much.

Mr. HINDS. I think Mr. Gilmore was the man who testified before us that the London market was the one. Mr. Gilmore belongs to Arbuckle.

The CHAIRMAN. My attention is directed to the fact that Mr. Gilmore and Mr. Lyle also, I think, agreed the London prices were quoted, and they were bought on the London market, in a way.

Mr. SPRECKELS. On the exchange in London, but when you buy you buy through London.

The CHAIRMAN. For delivery from Hamburg?

Mr. SPRECKELS. Yes. The letters of credit are all issued through London—issued on London, and bought in that way.

Mr. HINDS. Mr. Gilmore's testimony was a little different from that, I think. I questioned him as to where the world's market was that fixed the price of sugar.

The CHAIRMAN. Mr. Gilmore said this:

Mr. GILMORE. There is no world's market, unless you find it in New York.

Mr. HINDS. Unless you find it in New York?

Mr. GILMORE. And I do not think it is embracing the world at all.

Mr. HINDS. So we have been a little misled in assuming that Hamburg as a market was the world's market for sugar?

Mr. GILMORE. I suppose it is the most important for beets.

Mr. HINDS. Before you have any dealings in sugar in New York, do you usually want to know what the Hamburg market is?

Mr. GILMORE. No; we get the London quotations.

Mr. HINDS. So we may say for your business London is the central market?

Mr. GILMORE. That is where we get our information on European beets.

Mr. HINDS. And you have to take that into account very closely in your business.

Mr. GILMORE. Yes, sir.

Mr. HINDS. In London, how are those sales usually made? Are they made in auction rooms or by private arrangement?

Mr. GILMORE. They are made in the exchange; they have an exchange.

Mr. HINDS. They have a sugar exchange?

Mr. GILMORE. Yes, they have; and they have a curb, too.

Mr. Gilmore seemed to give us that impression, and my recollection is Mr. Lowry practically corroborated him, that they get the London prices probably in the initial stages, or at least the transaction was negotiated in London?

Mr. SPRECKELS. Negotiated in London, with shipments from Hamburg.

The CHAIRMAN. Which price controls, the Hamburg price or the London price?

Mr. SPRECKELS. The Hamburg price, because that is the origin of the sugar. Hamburg prices are f. o. b. They quote the Hamburg prices f. o. b. in the London Exchange.

The CHAIRMAN. That is free on board ship?

Mr. SPRECKELS. When they have the beet sugar sale in London they quote f. o. b. Hamburg.

Mr. HINDS. But that London price is nevertheless fixed in London, is it not? Anything they get from Hamburg is merely advisory to them, as London in turn is advisory to you here in New York. It is not an absolute price that you follow slavishly?

Mr. SPRECKELS. London; no.

Mr. HINDS. London does not follow Hamburg slavishly, does it?

Mr. SPRECKELS. Oh, yes.

Mr. HINDS. New York follows London, but you do not follow London slavishly? You fix the price here, but you take into account the London price when you have it. That is Mr. Gilmore's testimony.

Mr. SPRECKELS. No, the London price is a quotation of sugar f. o. b. at Hamburg.

Mr. MALBY. Fixed at London?

Mr. SPRECKELS. Fixed at London.

Mr. HINDS. Then what function does the London Sugar Exchange have except a mere registering function?

Mr. SPRECKELS. That is all, practically a registry. But the initial point of shipment is Hamburg.

The CHAIRMAN. If you buy sugar in London, they deliver from Hamburg?

Mr. SPRECKELS. Yes; or they may deliver from Austria, down to Trieste, or wherever it may be, or up in the Belgium ports.

Mr. HINDS. If you bought cotton in New York, it might be delivered from Savannah, but the sale price would be the New York Exchange price.

Mr. SPRECKELS. We have no exchange here.

Mr. HINDS. Take it at New Orleans. I think they have one there, have they not?

Mr. SPRECKELS. There is a cotton exchange here, but no sugar exchange.

Mr. HINDS. That is not of itself significant, is it? If you should buy cotton in New York on the New York Cotton Exchange, it might be cotton that would be delivered from Savannah or from New Orleans or from Wilmington, might it not?

Mr. SPRECKELS. You buy cotton in London delivered from Savannah, or wherever it may come from. It is merely an exchange——

Mr. HINDS (interposing). That London market would be where the price was fixed?

Mr. SPRECKELS. The London market fixes it for Hamburg.

Mr. HINDS. Is not that the same as to sugar?

Mr. SPRECKELS. Yes; but the London price as quoted by Czarnikow is for granulated sugar in London, the actual sugar in London, and does not deal with the Hamburg price. If you want to get the Hamburg price, that is the real price you want.

Mr. HINDS. This sugar you are talking about in Hamburg is raw sugar, is it not?

Mr. SPRECKELS. Yes, sir.

Mr. HINDS. But the prices Mr. Palmer gave us were refined sugar prices.

Mr. SPRECKELS. He gave you Lyle's and Tate's.

Mr. HINDS. That is refined sugar?

Mr. SPRECKELS. Those are local refined sugars in England. Those sugars command generally, I believe, about a quarter of a cent above the market by reason of being labeled "Tate's" or being labeled "Lyle's," because the demand is for that particular grade.

Mr. MALBY. You say a quarter of a cent above the market?

Mr. SPRECKELS. Yes, sir; they command a higher price.

Mr. MALBY. Above what sugar? What is the name of the sugar?

Mr. SPRECKELS. Tate's cube.

Mr. MALBY. No; what is the name of that sugar which is a quarter of a cent lower?

Mr. SPRECKELS. It is higher, I say.

Mr. MALBY. You say that Tate's cubes are higher. Now, they are higher than what?

Mr. SPRECKELS. Higher than the German cubes, for instance.

Mr. MALBY. That is what I wanted to know. I want to know the name of the sugar than which it is a quarter of a cent higher.

Mr. SPRECKELS. Cube sugar marked with Tate's brand on commands a higher price than any other sugar in the market.

The CHAIRMAN. You said Lyle's was a quarter of a point above the ordinary standard American granulated.

Mr. SPRECKELS. I do not know that it is a quarter of a cent.

The CHAIRMAN. But substantially that?

Mr. SPRECKELS. Yes.

The CHAIRMAN. It is a little higher than the American ordinary granulated sugar. Is that the idea?

Mr. SPRECKELS. I do not know just what their price is, but I say it is higher than the German granulated.

The CHAIRMAN. You compared it, when you gave that estimate, with German granulated.

Mr. SPRECKELS. Hamburg is the only market that should be used in the comparison.

Mr. HINDS. You say that Lyle's granulated is about a quarter of a cent higher than——

Mr. SPRECKELS (interposing). By reason of the brand.

Mr. HINDS. Higher in England than the common ordinary sugar of England?

Mr. SPRECKELS. The common ordinary sugar of England is the granulated, which would compare with the American granulated sugar—is imported from Germany and is not made in England.

Mr. HINDS. And is a quarter of a cent less?

Mr. SPRECKELS. Yes; but for that sugar you would go to Hamburg, and you would not go to England. In other words, if I were

to import refined sugar I would not think of buying Tate's or Lyle's sugar, because I can get an article just as satisfactory and just as good and better suited for the American market than either of those sugars and at a lesser price.

Mr. HINDS. Is Tate's cane or beet sugar?

Mr. SPRECKELS. He refines both.

Mr. HINDS. That would make the ordinary sugar of England about 1 cent under the ordinary sugar of the United States?

Mr. SPRECKELS. I do not quite follow that reasoning.

Mr. HINDS. Lyle's was 72 cents under our standard granulated.

Mr. SPRECKELS. Three-quarters of a cent lower.

The CHAIRMAN. That is, without allowing for the duty at all?

Mr. SPRECKELS. That is without allowing for the duty at all?

Mr. HINDS. Then you say the ordinary sugar would be a quarter of a cent below that. That would make the ordinary sugar of Germany about a quarter of a cent below our standard granulated?

Mr. SPRECKELS. Yes.

Mr. HINDS. The ordinary sugar of England?

Mr. SPRECKELS. Yes, I think that is correct.

Mr. HINDS. The English tariff is about 3.9 cents a pound, and our tariff is 1.68. Ought not England's sugar to be 1.30 under ours?

Mr. SPRECKELS. Lots of things ought to be that sometimes are not.

Mr. HINDS. Why would not that be?

Mr. SPRECKELS. I do not know.

Mr. HINDS. Is the cost of refining greater in England than here?

Mr. SPRECKELS. It is.

Mr. HINDS. What is the reason of that?

Mr. SPRECKELS. I do not think they pursue the modern methods.

Mr. HINDS. They do not pursue modern methods?

Mr. SPRECKELS. No, sir. They do not refine in such large capacity.

Mr. HINDS. If they gave them a little free trade, might it not improve their methods?

Mr. SPRECKELS. I think it would, and I think if you gave us free trade we would have the English market.

Mr. HINDS. If you gave their refiners a little free trade might it not improve their methods?

Mr. SPRECKELS. I think it would, and if you give us free trade we will have the English market if they do not.

Mr. HINDS. But we, with 1.68 duty, are a little more skillful than they with 3.9.

Mr. SPRECKELS. We exercise more care because our duty and waste is greater, so that in sugar refining progress toward free trade induces carelessness? I have seen sugar refiners of England that I do not think could exist at all in this country.

Mr. HINDS. So that in sugar refining progress toward free trade produces carelessness? Is that your idea?

Mr. SPRECKELS. No: to the contrary. If they had free trade they would be compelled to get their houses in order to compete, and the tendency would be, if they had free trade, to get a better refinery.

Mr. HINDS. The point I was making, Mr. Spreckels, was this: They are within 0.39 of a cent of free trade, and we are within 1.68. That is, we are farther away than they are, and yet our refineries are superior to theirs.

Mr. SPRECKELS. Yes; we have a larger capacity, and the larger the capacity the less the cost per unit, and if you give us free trade we will double our capacity again and make it still cheaper to the consumer.

Mr. HINDS. They are nearer free trade than we?

Mr. SPRECKELS. There are lots of things the English do not do that I think they ought to do, but I am not running the English Government.

Mr. HINDS. Are there not a lot of other questions besides the question of free trade in the matter of the industries of that country? Is it as important as we think it is for the improvement of our industry? Is free trade as important as we think it is?

Mr. SPRECKELS. I think free trade is very important for us.

Mr. HINDS. I think that is all, Mr. Chairman.

The CHAIRMAN. Judge Raker, you may proceed if you have anything farther.

Mr. MALBY. Inasmuch as we seem to have not quite light enough on the foreign markets, we have asked you for the London wholesale prices of granulated sugar to correspond with Mr. Atkins's figures on the American prices, since 1885.

The CHAIRMAN. The London export price, you mean?

Mr. MALBY. Yes.

The CHAIRMAN. The export price is what you want?

Mr. MALBY. I think, in view of what you say about Hamburg, you had better also add that.

The CHAIRMAN. I think Hamburg is the thing we want.

Mr. SPRECKLES. Yes, I think Hamburg is what you want.

Mr. MALBY. Let us have both of them and we can then see what we want.

Mr. SPRECKELS. It will take some little time to compile that, but I will send it to you as soon as I can.

Mr. RAKER. Mr. Spreckels, what time did you first go to the Hawaiian Islands to become acquainted with the conditions there?

Mr. SPRECKELS. 1876, I think, or thereabouts.

Mr. RAKER. How long were you there?

Mr. SPRECKELS. Immediately after the enactment of the treaty of reciprocity between that country and this.

Mr. RAKER. 1876.

Mr. SPRECKELS. Yes.

Mr. RAKER. How long did you stay there at that time?

Mr. SPRECKELS. At that time I did not stay there very long. I think only about three months.

Mr. RAKER. When did you go back the next time?

Mr. SPRECKELS. I went back several times, until finally I became interested in business down there, and then I was there most of my time.

Mr. RAKER. When did you become engaged in business?

Mr. SPRECKELS. I think it was in 1893.

Mr. RAKER. Were you on the island a sufficient length of time before 1893 to become acquainted with the raising of cane?

Mr. SPRECKELS. I was.

Mr. RAKER. And the cutting of the cane and taking it to the mill and manufacturing and shipping the product?

Mr. SPRECKELS. I was.

Mr. RAKER. You saw the method and manner of its cultivation and manufacture?

Mr. SPRECKELS. I did.

Mr. RAKER. At that time, and before 1896, was there any refining at all on the island?

Mr. SPRECKELS. No refining; only the producing of raw sugar.

Mr. RAKER. Has there ever been any refinery on the island?

Mr. SPRECKELS. There is at the present time.

Mr. RAKER. Do you know about when that was erected?

Mr. SPRECKELS. I should say four or five years ago. It is called the Honolulu Plantation Co.

Mr. RAKER. That is the one you spoke about in your testimony Saturday?

Mr. SPRECKELS. Yes, sir; they refine their sugar at Honolulu and ship it to the San Francisco market.

Mr. RAKER. Speaking of the wholesale grocers of San Francisco, you understand they have an association there that handles the sugar?

Mr. SPRECKELS. Generally called "The Big Six."

Mr. RAKER. Tell me their names now.

Mr. SPRECKELS. William Cluff & Co.; Hass Bros; Tilman & Bendel; Wellman Peck & Co.; Sussman, Wormser & Co. The other one I do not recall at this moment. They are commonly called "The Big Six."

Mr. RAKER. You understand they have an arrangement with the refineries in San Francisco and the one in Hawaii in regard to handling their output?

Mr. SPRECKELS. I believe so.

Mr. RAKER. From your testimony you believe that is the condition?

Mr. SPRECKELS. I believe they have.

Mr. RAKER. That would then prevent any other smaller dealer getting in there and buying the sugar from the refinery or from the planter, under the statement as you have presented it—that is, in large quantities?

Mr. SPRECKELS. They do sell to some manufacturers, I believe, and also to a few of the large retail stores, but very very few.

Mr. RAKER. Havemeyer & Elder have a refinery in San Francisco and you people have a plant, the Spreckels?

Mr. SPRECKELS. The American Sugar Refining Co. have a plant, and the Spreckels; yes, sir.

Mr. RAKER. After the American Sugar Refining Co. took charge of it they closed up the Havemeyer & Elder factory and formed the Spreckels Co.?

Mr. SPRECKELS. They formed the Western Sugar Refining Co., and leased the American plant—it is controlled by the Spreckels interest, and closed down the plant of the American Sugar Refining Co. Getz Brothers is the sixth firm of "The Big Six."

Mr. RAKER. In Hawaii, when you commenced to deal in the raising of cane, you found mostly Japanese and Chinese in the business?

Mr. SPRECKELS. Yes; at that time—mostly Chinese.

Mr. RAKER. And within the last 10 years the Japanese have exceeded all of them?

Mr. SPRECKELS. The Exclusion Act prevented the Chinese from coming any more.

Mr. RAKER. The Japanese have practically taken their place?

Mr. SPRECKELS. Yes.

Mr. RAKER. Do you know about what they pay them per day, or did at that time?

Mr. SPRECKELS. They paid at that time $13 a month. I think they are paying $18 a month now.

Mr. RAKER. The young men work in the fields as well as the older ones?

Mr. SPRECKELS. And the women get $2 per month less.

Mr. RAKER. And the women and girls also work in the cane fields and in the handling of the cane, do they not?

Mr. SPRECKELS. Not the children.

Mr. RAKER. Say, girls 14 or 15 years of age, in the fields hoeing.

Mr. SPRECKELS. No; I think when they imported their labor—I say imported because there is a way of getting them in—they generally came one woman and either four or five men—one woman as a wife.

Mr. RAKER. Did not the same company that controlled the sugar plantations run the steamship lines that brought in those various immigrants? Did not the sugar people run the steamers that brought all those people?

Mr. SPRECKELS. No; they came largely by the Pacific Mail from China. They did not run over to China. Their lines ran from Honolulu and Australia to San Francisco.

Mr. RAKER. Were they interested in any lines that did bring them over?

Mr. SPRECKELS. No, they were not.

Mr. RAKER. They were not at that time?

Mr. SPRECKELS. No.

Mr. RAKER. Have they become interested since?

Mr. SPRECKELS. The planters would charter steamers independent of the Pacific Mail, and make up a certain quantity of passengers to warrant bringing in an entire shipload.

Mr. RAKER. That is what I wanted to develop.

Mr. SPRECKELS. They would in that case do their own chartering of tramp steamers.

Mr. RAKER. Before the island became a part of the United States, they had a method of working then that if a man did not work for them they would fine him and put him out of the field to work out the fine?

Mr. SPRECKELS. That is quite true.

Mr. RAKER. Do you know what became of that fine, whether it went to the planter?

Mr. SPRECKELS. It went to the Government.

Mr. RAKER. You are quite sure it went to the Government?

Mr. SPRECKELS. I am quite sure of that.

Mr. RAKER. And since it has become a part of the United States that method has ceased?

Mr. SPRECKELS. That has ceased since it became a part of the United States.

Mr. RAKER. I want to read a little statement to see if this is about your idea of the matter. Before going on to the question of population, that country is climatically so situated that a white man can work there, is it not?

Mr. SPRECKELS. Yes, very largely. During my time I had a great many Portugese working in the field, and they were very desirable laborers.

Mr. RAKER. Russians can work there all right?

Mr. SPRECKELS. They can, and do work there now.

Mr. RAKER. And Spaniards somewhat?

Mr. SPRECKELS. I dare say there are some. Almost every nationality is represented there.

Mr. RAKER. I find this statement, that the population of Hawaii is 191,909, and that 41.5 per cent are Japanese. Does that correspond with your idea of the matter pretty well?

Mr. SPRECKELS. I had an idea there were more than that.

Mr. RAKER. I am reading from a statement prepared by——

Mr. SPRECKELS (interposing). I was under the impression there was nearly 75 per cent.

Mr. RAKER. This is from a statement prepared by Commissioner Keefe of the Bureau of Commerce and Labor. The Hawaiians represent 13.6 per cent of this whole number; the Caucasian Hawaiians, about 4.6 per cent; Asiatic Hawaiians, about 1.9 per cent; Chinese, 11.3 per cent; Portuguese, 11.6 per cent; Spanish, 1 per cent; Porto Ricans, 2.5 per cent; other Caucasians, 7.6 per cent; black and mulattoes, 0.4 per cent; Japanese, 41.5 per cent: all others, 4 per cent.

Mr. SPRECKELS. I should say that was practically correct.

Mr. RAKER. On the sugar question I will read you this statement:

I visited 19 sugar plantations which employ 26,944 persons, and of this number there were 400 Americans, or 1.5 per cent.

Would that be about your idea of conditions as you saw them there?

Mr. SPRECKELS. Just about.

Mr. RAKER. Hawaiians, 633, or 2.3 per cent. Would that correspond with your idea?

Mr. SPRECKELS. That is right, I should say.

Mr. RAKER. And Porto Ricans, 1,242, or 4.6 per cent.

Mr. SPRECKELS. Yes, sir.

Mr. RAKER. Portuguese, 2,583, or 9.6 per cent; Spaniards, 419, or 1.6 per cent; Russians, 255, or 0.9 per cent.

Mr. SPRECKELS. That is about the condition; that is substantially correct.

Mr. RAKER. Filipinos, 714, or 6.4 per cent; Japanese, 17,023, or 63.2 per cent.

This is now in the sugar business, covering field and factories, 26,944 persons. The Chinese were 1,305, or 4.8 per cent. Is that about your idea of the matter?

Mr. SPRECKELS. That is about it.

Mr. RAKER. Koreans, 1,032, or 3.8 per cent; all others, 128, or 0.5 per cent; women, other than Japanese, 153, or 0.6 per cent; minors, other than Japanese, 62, or 0.2 per cent. I find in regard to their labor there that it runs in about the same proportion otherwise. Is that about your idea from your personal investigation?

Mr. SPRECKELS. From personal investigation I should say that is substantially correct.

Mr. RAKER. Has there been any effort to bring in white labor that you know of?

Mr. SPRECKELS. No. On the contrary, I do not think they want it.

Mr. RAKER. That is what I wanted to know.

Mr. SPRECKELS. I remember an instance of a gentleman who lived in Italy that approached me some years ago and asked me whether I could not assist him—this must have been possibly eight years ago—in finding employment for a lot of Italians. He was a very wealthy man in Italy, with large estates, and desirous of finding employment so as to relieve many of the farmers there, and he would gladly pay part of the expenses to take them to Honolulu if they could find employment. I took occasion at that time to wire—I told him what I could do, and he was in New York, and I wired to William G. Irwin & Co., who were large sugar factors at that time. The reply came that they had arranged with William Dymond & Co. to try to get some labor from the West Indies—Porto Rico and the West Indies.

Mr. RAKER. These men that are in the Hawaiian Islands——

Mr. SPRECKELS (interposing). I went at that time to William Dymond & Co. and they turned down any offer and would not listen to the importation of any Europeans at that time.

Mr. RAKER. You have found no change in it?

Mr. SPRECKELS. I have found no change in it.

Mr. RAKER. Your understanding is that the sugar-beet people on the continent, particularly in California, have continued this same employment of Japanese and Chinese?

Mr. SPRECKELS. Yes, sir.

Mr. RAKER. And that, as you understand, is the largest part of their labor?

Mr. SPRECKELS. I so understand.

Mr. RAKER. The men who are interested in the Hawaiian sugar business are practically San Francisco people, are they not?

Mr. SPRECKELS. Practically San Francisco people. You might call them San Francisco people.

Mr. RAKER. And when they figure on any change in the raising of the price of raw sugar, or even refined, for the purpose of protecting their interests, on account of labor, it practically applies to the kind and class of labor I have named; is that correct?

Mr. SPRECKELS. It is.

Mr. RAKER. Did you state whether or not you knew anything about the price paid for labor in California?

Mr. SPRECKELS. I do not know what that price is.

Mr. RAKER. You do not know about that?

Mr. SPRECKELS. No; I do not.

Mr. RAKER. Do you think from your viewpoint that it is beneficial to maintain this kind and class of labor for this industry?

Mr. SPRECKELS. Certainly not.

Mr. RAKER. Why not, Mr. Spreckels?

Mr. SPRECKELS. Because I think it can be done by European labor or American labor. The reason for saying that is when the Watsonville factory was started originally, I do not remember of seeing a Japanese or Chinese working in the field producing beets.

Mr. RAKER. Why not maintain the Japanese and Chinese in this business in California and the West? That is what I want to know.

Mr. SPRECKELS. Because I think you might induce a better class of people to go there.

Mr. RAKER. Why? I want it to go on the record, as you understand it.

Mr. SPRECKELS. As I understand it, I would not like to marry a Japanese; I think we want people who are going to assimilate with people here. This is a white man's country.

Mr. RAKER. They do not assimilate?

Mr. SPRECKELS. No; they can not assimilate. This is a white man's country.

Mr. RAKER. They work for less wages and can live cheaper?

Mr. SPRECKELS. There is no doubt of it.

Mr. RAKER. And that kind of labor lowers the American standard?

Mr. SPRECKELS. It does, to my mind.

Mr. RAKER. These men that are seeking now high protection upon their products, instead of employing American labor as they claim, are employing cheap cooley labor?

Mr. SPRECKELS. Precisely; that is what they are doing.

Mr. RAKER. Do you think the American people ought to do that?

Mr. SPRECKELS. That is the reason I am making an effort to have you gentlemen reduce the tariff. That is my answer to that.

Mr. RAKER. That covers the matter. That is all, Mr. Chairman.

The CHAIRMAN. Just two or three general questions, and then we will close.

One of my colleagues, Mr. Spreckels, calls attention to the fact that after the reduction in the Cuban duty came, the price to the American consumer, the price paid by the American consumer for refined sugar was not less. Is that true as a general proposition or not? We have gone over the figures, of course, but would that indicate the Cubans had merely got under the tariff wall?

Mr. SPRECKELS. That is true, and they gobble up the difference.

The CHAIRMAN. They take the difference themselves, and the consumer does not get it?

Mr. SPRECKELS. Yes.

The CHAIRMAN. They said the American consumer would have to pay 1.685; you mean pay that on our sugar?

Mr. SPRECKELS. Yes. They wanted to make that difference.

The CHAIRMAN. You said something about the world's price on sugar being determined by the law of supply and demand and not the ordinary trade laws. While that is true of the world's price—the world-wide price—yet when it comes to the price in any particular country, whether that country be England or the United States or Germany or France or Russia or Italy or Spain or what not, to that world's price must be added whatever duty the legislative body controlling the destinies of that particular country elects to put on sugar?

Mr. SPRECKELS. Unquestionably.

The CHAIRMAN. So that the market price would always be the world's price plus the cost of transportation plus the duty?

Mr. SPRECKELS. Yes.

The CHAIRMAN. One of my colleagues asked this question: If the policy of free sugar were embarked upon in this country that might put the beet people, for instance, out of business, and that therefore when people in Detroit, Mich., for instance, wanted to buy sugar they would have to pay a larger price, on account of the freight rate

which they would pay from the nearest point of supply. Is that true or not?

Mr. SPRECKELS. No, sir; I think they add the freight rate to it now, plus the duty.

The CHAIRMAN. At Detroit they add the New York rate to it?

Mr. SPRECKELS. At Detroit they add the New York rate to it and also the duty.

The CHAIRMAN. And the only concession they make is whenever it is necessary to keep out a New York competitor, when they put it down until they run him out?

Mr. SPRECKELS. That is sound reasoning.

The CHAIRMAN. And when he is out they add the price he could get in there at?

Mr. SPRECKELS. Yes, sir.

The CHAIRMAN. Is that true all over the country?

Mr. SPRECKELS. All over the country.

The CHAIRMAN. In the western beet business and everywhere?

Mr. SPRECKELS. Everywhere, everywhere.

The CHAIRMAN. One of my colleagues discussed with you the question as to whether or not it was important that beet and cane sugar industries of the country should be continued, or whether or not we might not slaughter it at one fell blow by having free sugar. Is it your opinion that one factor that ought to enter into that is the American consumer and how much he has to pay to keep this industry alive?

Mr. SPRECKELS. The American consumer pays in the aggregate $150,000,000 to $160,000,000 per annum for the purpose of allowing the beet sugar men to raise about one-half of that amount in value, plus the tariff.

The CHAIRMAN. In other words, with $100,000,000 invested in beet sugar, in order to keep that alive and possibly a smaller amount in Louisiana we are paying $160,000,000 every year?

Mr. SPRECKELS. Yes.

The CHAIRMAN. It would be cheaper to give them a liberal pension than to pay that amount?

Mr. SPRECKELS. Buy them out and keep it up.

The CHAIRMAN. One of my colleagues stated that the importations into Germany affects it because the German tariff is so high. Do you know how much higher it is than the United States tariff?

Mr. SPRECKELS. I do not know what the German tariff is.

The CHAIRMAN. It is 2.03 and the American tariff is 1.90. If the German tariff of 2.03 is high enough to be absolutely prohibitive the American tariff ought to be pretty high, too, ought it not, according to that same scale?

Mr. SPRECKELS. According to that statement.

The CHAIRMAN. Mr. Palmer made a statement about field and factory labor in the beet-sugar industry. You heard it?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Does that correspond with your actual investigations?

Mr. SPRECKELS. I have no knowledge of it.

The CHAIRMAN. You know something about beet sugar in California?

Mr. SPRECKELS. Only in a general way; I know that field labor is done by the Japanese, practically all.

The CHAIRMAN. In California?

Mr. SPRECKELS. Yes. I was not aware that any work in the factories, but he stated there were some.

The CHAIRMAN. Compared to the field labor, the percentage of factory labor is very small, is it not?

Mr. SPRECKELS. Yes; but I think Mr. Palmer rather misstated that, perhaps involuntarily, because, he did not mention how many beets were bought from so-called farmers, the Japanese companies, who raise the beets. I should want to know about that, because his figures are of no value as they are now.

The CHAIRMAN. When I call your attention to one matter with reference to the tariff and prices, I will excuse you.

I notice, according to the table Mr. Palmer furnished us, that Lyle's cubes are about 72 cents higher than the average American standard granulated; and you say the difference in grade ought to be somewhere in the neighborhood of 25 cents, substantially?

Mr. SPRECKELS. No, because he is comparing cube sugar with granulated. If you read Willett & Gray's circular, you will find cube sugar——

The CHAIRMAN (interposing). Is Lyle's cube cane or beet?

Mr. SPRECKELS. Both. They make it out of anything. He is comparing Tate's cubes with American granulated. Tate's cubes he compares with the American cubes, and not the granulated. You might as well compare refined sugar with raw sugar. I say that is wrong. Cube sugar in this market sells for a quarter of a cent per pound higher than granulated. Tate's cubes, by reason of being Tate's cubes in England, will bring about 25 cents a hundred more than our cubes in that market.

The CHAIRMAN. So that would be a difference even as much as half a cent when you make that allowance?

Mr. SPRECKELS. Yes.

The CHAIRMAN. If you would take from the Cuban duty, which is what you pay on the bulk of your imports of 1.348, the English duty of 0.392, it makes a difference of about 1 cent per pound, does it not?

Mr. SPRECKELS. Yes.

The CHAIRMAN. Allowing for the difference in grades, the English price is one-half a cent or more lower than the American price, is it not, even according to the table he gives?

Mr. SPRECKELS. Ordinarily, yes.

The CHAIRMAN. Gentlemen, the hour of adjournment——

Mr. MALBY. Just a question or two, Mr. Chairman.

The CHAIRMAN. Pardon me, Judge Malby.

Mr. MALBY. I notice in Willett & Gray's report for September 1, 1910, the following:

Regarding Federal cargo of 100,000 bags of fine granulated which recently arrived here from New York, will state that we do not know there has been a bag of sugar sold to any of the trade. Sugar is being discharged and stored in the warehouse. Part of it reported as being caked and part blackened by coal dust.

I notice under Willett & Gray's report of October 6, but under date of September 29, 1910, the following statement:

The Federal granulated shipped here. The standard grain is offered to jobbers, retailers, and manufacturers at 5 cents.

I simply call your attention to the dates so as to see if you desire to make any change in your statement.

Under date of October 25, 1910, it says:

Up to this wiring Federal has made no additional reductions. Price now leads granulated San Francisco refineries cane 5 cents.

I do not care particularly about the price except to call your attention to the dates according to the San Francisco market reports:

San Francisco, October 28, 1910. Federal's 4.80; standard granulated, 4.90.

That is the last date I see here, except under date of December 2, 1910, I find the following:

Federal Sugar Refining Co. have disposed of the entire stock here and are out of the market.

Do those dates refresh your recollection as to the time you sold?

Mr. SPRECKELS. I can not tell you. I will give you the facts on that, which will be better evidence, I think, than Messrs. Willett & Gray's circular. If you want to refer to the price, the price is 5.60, I think. We had one hundred and some odd thousand bags, and I dare say we sold perhaps 75,000 the first month, and when we got up to December we may have had 100 bags left. Willett & Gray did not know what we had, nor did they know what we were doing, but it was sufficient for them to know we were still offering the sugars to keep their price down.

Mr. HINDS. Mr. Spreckels, you testified that the common sugar of England, with which comparison should be made, is the German refined, did you not?

Mr. SPRECKELS. That is what I claim.

Mr. HINDS. Is that German refined the same grade of sugar that our standard refined is here?

Mr. SPRECKELS. No, sir; but it comes closer to it.

Mr. HINDS. In what does it vary from our standard refined?

Mr. SPRECKELS. In the grain.

Mr. HINDS. I mean in price or in value?

Mr. SPRECKELS. I can not tell you.

Mr. HINDS. Is it as good a sugar?

Mr. SPRECKELS. The German refined is, yes.

Mr. HINDS. The German refined is as good as our standard granulated?

Mr. SPRECKELS. It is all a matter of fancy. They are all 100 per cent pure.

Mr. HINDS. Would it sell in the American market at the same price, if that grade of sugar were brought here?

Mr. SPRECKELS. I think it would sell somewhat less.

Mr. HINDS. About how much a pound less.

Mr. SPRECKELS. It may sell 20 cents a hundred pounds less.

Mr. HINDS. That is a conservative estimate of how much less?

Mr. SPRECKELS. Twenty cents a hundred.

Mr. HINDS. That is all, Mr. Chairman.

Mr. JACOWAY. Mr. Spreckels, in the days of rebating, do you know what amount of money your concern received as rebates from the railroads?

Mr. SPRECKELS. Yes, sir; I know—not one cent.

Mr. JACOWAY. It has been testified that something like $500,000 of rebates had been given—I do not know to whom they were given.

Mr. SPRECKELS. Not to us. That pertains to the American Sugar Refining Co. and not to us. We never received any rebates.

Mr. JACOWAY. None whatever?

Mr. SPRECKELS. No, sir.

Mr. JACOWAY. You are the author of this circular, are you not?

Mr. SPRECKELS. Indirectly, yes, sir; it was gotten up under my direction.

Mr. JACOWAY. You stated that if the tariff was taken off of sugar, it would be a saving of $150,000,000 each year to the American public?

Mr. SPRECKELS. Yes, sir.

Mr. JACOWAY. How do you get at that? What was the basis of it?

Mr. SPRECKELS. Approximately 2 cents a pound.

Mr. JACOWAY. You were careful in this statement and verified it?

Mr. SPRECKELS. Yes.

Mr. JACOWAY. And you adopt this statement to-day as the facts and as your testimony?

Mr. SPRECKELS. I do.

Mr. RAKER. That circular you had out was about a 12-page circular, giving the history of the sugar business?

Mr. SPRECKELS. Yes, sir.

Mr. RAKER. You have read that, have you not?

Mr. SPRECKELS. Yes, sir.

Mr. RAKER. Mr. Lowry read that also, and he testified that that would be substantially his statement under oath.

Mr. SPRECKELS. Yes, sir.

Mr. RAKER. Would that be yours also?

Mr. SPRECKELS. I would make the same statement.

Mr. RAKER. There has been a good deal said here in this investigation in regard to the color of sugars. Do you know why the high grade C sugars have been practically out of the market for the last 10 years?

Mr. SPRECKELS. Yes, because the tendency is gradually to run to a higher grade of color and in saccharine quality. The yellow sugars might test only 82 or 83 or 87 per cent of saccharine matter, while the granulated is 100 per cent pure.

Mr. RAKER. No discount?

Mr. SPRECKELS. No. Some of it is 101. [Laughter.]

Mr. RAKER. No starch in any of them?

Mr. SPRECKELS. No starch and no sand. There may be some grit, but I do not know.

Mr. HINDS. You said you never got any rebates?

Mr. SPRECKELS. No, sir; we never did.

Mr. HINDS. Did you ever have any reason to suspect, Mr. Spreckels, that you were under a disadvantage as to that matter?

Mr. SPRECKELS. Yes, I had.

Mr. HINDS. You did have?

Mr. SPRECKELS. I did.

Mr. HINDS. You felt that the territory was being taken away from you by railroad rebates?

Mr. SPRECKELS. Not the territory, but I believe there were railroad rebates, and I so stated, and it was denied and denied time and again by the railroad companies, by the New York Central. I went up there in person and told them I believed there was, and as proof of it there came about the matter of some right of way. The New York Central, in order to electrify their railroad going out past Yonkers, had to acquire a few feet of ground from the Federal Co. Their agent came in to see me and asked me what we would take for these few feet of ground. I said I would not quibble about that at all; that my experience had taught me that the railroads got everything anyhow, and rather than quibble over the small amount I would give it to them for nothing and give them a deed for it. After many months they acquired all the other rights of way, and they wanted me to give a deed, and I incorporated in that deed that they should have it on condition—the consideration being we should always have the same freight rates over their line as any of our competitors. That opened up the whole situation. They came and denied, both verbally and in writing, and stated that they never gave any rebates, and they had no room for it in the deed. They said that was the law.

Mr. HINDS. Did they take the land under that condition?

Mr. SPRECKELS. They would not take that deed; no, sir. They thought it was an insinuation that they were doing wrong.

Mr. HINDS. Was that under the rebate law after it was passed?

Mr. SPRECKELS. Yes.

Mr. HINDS. Before that——

Mr. SPRECKELS (interposing). May I continue my story? It may be of interest to you.

Mr. HINDS. Certainly.

Mr. SPRECKELS. We did not pass the deed, and finally they were compelled to condemn the property, and under the condemnation paid us about $60,000.

Mr. HINDS. For the land?

Mr. SPRECKELS. Yes; covering the improvements which had been on the property which I was willing to give them in consideration of their guaranteeing forever after the same rates as any of our competitors in the same business from the same points.

Mr. HINDS. That is, you could not get that guaranty?

Mr. SPRECKELS. They would not give that guaranty?

Mr. HINDS. When I asked if you had suffered from rebates, some gentleman near you said something about them suffering to-day. Do you mean by that this lighterage proposition?

Mr. SPRECKELS. I would judge that is what he meant—yes; the lighterage.

Mr. HINDS. But nothing else? You are not aware of any other rebates?

Mr. SPRECKELS. Not that I know of. You never can tell until you catch them in the act. They told me before they were not making any rebates.

Mr. HINDS. In the days when you did have rebates, those rebates went to the large people, did they not—that is, to the great combination?

Mr. SPRECKELS. They went to the trusts and combination, but did not go to the independents.

Mr. HINDS. What is your estimate of the importance of that advantage in the fostering of combinations?

Mr. SPRECKELS. I think it fosters any combination. Any man who gets special advantages and special privileges from a railroad is bound to do better in any particular line of business.

Mr. HINDS. In other words, in your judgment those rebates were an important and essential element in the building up of trusts?

Mr. SPRECKELS. There is no question about it in my mind.

Mr. HINDS. And with the rebates taken out of the way—and the stock watering taken out of the way, possibly—would or would not there be a great impediment put in the way of the formation of these trusts?

Mr. SPRECKELS. I think so; but more particularly the tariff. I think the tariff, as Mr. Havemeyer once expressed himself, is the mother of trusts.

Mr. HINDS. They have trusts in England, do they not, and all over the world?

Mr. SPRECKELS. Hardly rigged the same way these are.

Mr. HINDS. A little different style of rigging, but it is the same in substance, is it not?

Mr. SPRECKELS. They may have combinations, but they do not rig them the way they do here. For example, as an illustration, the American Sugar Refining Co. is composed of many companies. It is practically a holding company as well as a refinery. The man who starts a factory on the west coast in competition with them will meet this situation, that they can afford to lose money in that particular factory under another name and make the money on the east coast.

Mr. HINDS. In England don't they have those holding companies?

Mr. SPRECKELS. They can not do the same thing because the country is small and they have not the same facilities.

Mr. HINDS. In other words, have not they stricter corporation laws, too?

Mr. SPRECKELS. I do not know about the corporation laws, but they can not do the same things in a small country.

Mr. HINDS. As they can in a great country?

Mr. SPRECKELS. No, sir; they could not do it in New York State, for instance, because it is only one little country. If I had a factory up at Albany they could not compete with me the same way as they could in the other instance. In other words, it would all equalize itself. They could not throw the money away in Albany and make it in New York City, because I could come back at them.

Mr. HINDS. We have seen that the condensed milk trust, for instance, or the condensed milk manufacturers in this country, are able and are strong enough to make an arrangement with the condensed milk people of Switzerland and all the rest of Europe, but especially with Switzerland, which is a great country for that product, virtually a trust, whereby the Swiss people agree not to come into this market and we in turn agree to keep out of Switzerland. Our consular reports show that. Tell me how can you, by putting on or taking off tariffs, prevent these great aggregations that they call trusts, when they do things like that?

Mr. SPRECKELS. Because you have a world's market before you; you are not confined to Switzerland, but you are confined to the whole world.

Mr. HINDS. We have it now before us.

Mr. SPRECKELS. I did not know it.

Mr. HINDS. Is it not a question of corporation laws and of the nature and extent of your country in all that? Is not that the great element we must look to in connection with the trust matter?

Mr. SPRECKELS. No; I think the great element is the tariff. I know nothing about the Milk Trust or the Lumber Trust or the Steel Trust or anything else. I do know about sugar. If you remove the tariffs, I am positive the price will be reduced, if you give us the world's market.

Mr. HINDS. For instance, the Tobacco Trust operates in England, does it not?

Mr. SPRECKELS. I do not know.

Mr. HINDS. They did organize there, did they not?

Mr. SPRECKELS. I am told they do not operate there.

Mr. HINDS. It is because England has driven them out, if that is the case.

Mr. SPRECKELS. I understand they have a trade agreement with the English combination.

Mr. HINDS. I did not intend to go into that. The thing I specifically wanted to find out was to what extent you were acquainted with the power of rebates as an element in the building up of great corporations. It is your opinion, you say, that the rebates were an essential element in the growth of the trusts?

Mr. SPRECKELS. Undoubtedly.

Mr. HINDS. And with the rebates taken out of the way, they will lack one essential element?

Mr. SPRECKELS. Yes. Everything of that nature entering into it has its effect.

Mr. HINDS. That is all, Mr. Chairman.

The CHAIRMAN. Before I excuse you, Mr. Spreckels, I desire to ask Mr. Crawford a question. Mr. Crawford, will Mr. Thomas have those memoranda ready by to-morrow morning?

Mr. CRAWFORD. I do not think so.

The CHAIRMAN. It may be necessary for him to make a trip to Washington unless they are ready.

Mr. CRAWFORD. Is it necessary for him to be present?

The CHAIRMAN. We may want to examine him with reference to them.

Mr. CRAWFORD. A great deal of that information is in the way of compilations. Those things are not in existence in the form you want.

The CHAIRMAN. There were some particular matters with reference to the Thomas estate.

Mr. CRAWFORD. I can give you that now.

The CHAIRMAN. Probably we will need him.

Mr. CRAWFORD. He is in Boston.

Mr. SPRECKELS. When will he be back here?

Mr. CRAWFORD. I do not know.

The CHAIRMAN. At any rate, ask him to send in all the memoranda we asked for, and then we will not call him again unless we have to.

Mr. CRAWFORD. We will do all we can.

The CHAIRMAN. Gentlemen, the committee will now adjourn until to-morrow morning at 10 o'clock, at which time we will call Mr. H. C. Mott as our next witness.

Mr. Spreckels, the committee will excuse you with its thanks for your attendance and prompt and courteous answers.

To-morrow morning we will meet at 10 o'clock in room 43 of this building, gentlemen. The committee now stands adjourned until that time.

(Thereupon, at 5 o'clock p. m., the committee adjourned until to-morrow, Tuesday, July 25, 1911, at 10 o'clock a. m.)

LE S 11




LIBRARY OF CONGRESS
0 018 682 177 4